



ANNUAL REPORT

2022

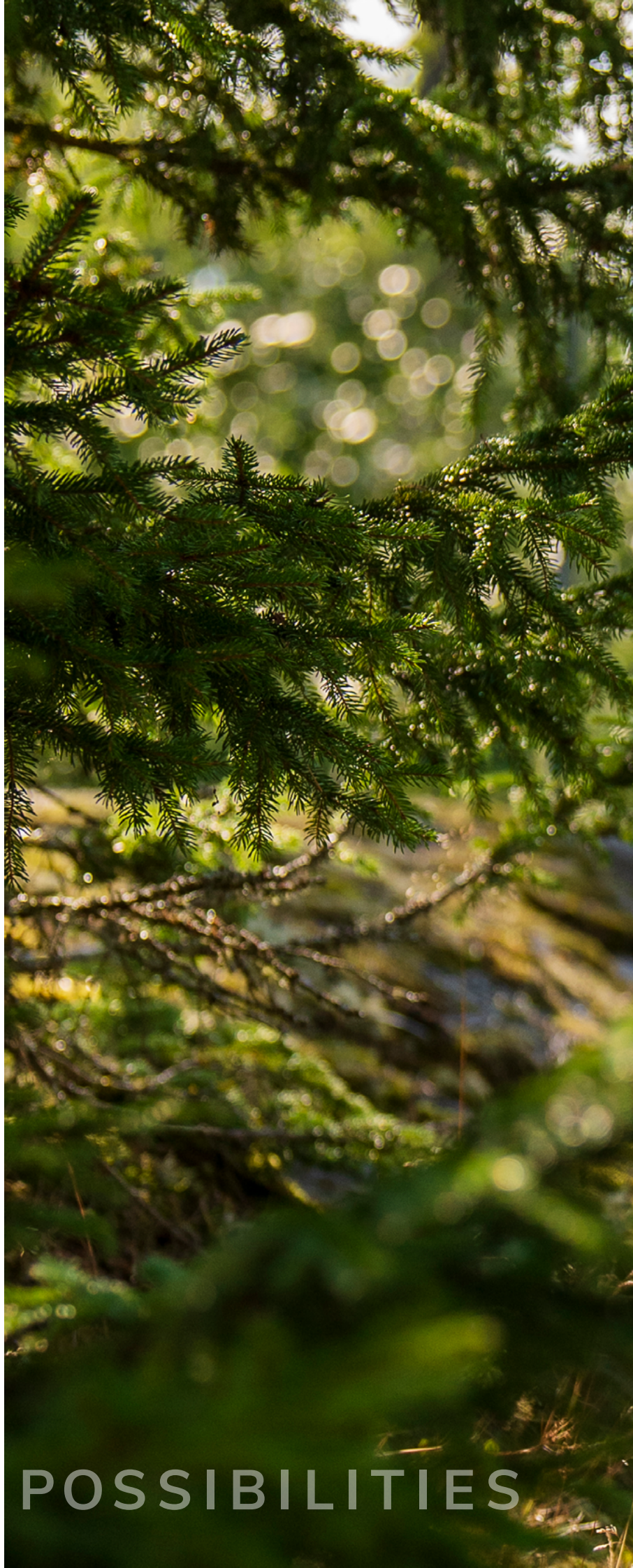



ROTTNEROS

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PURE POSSIBILITIES



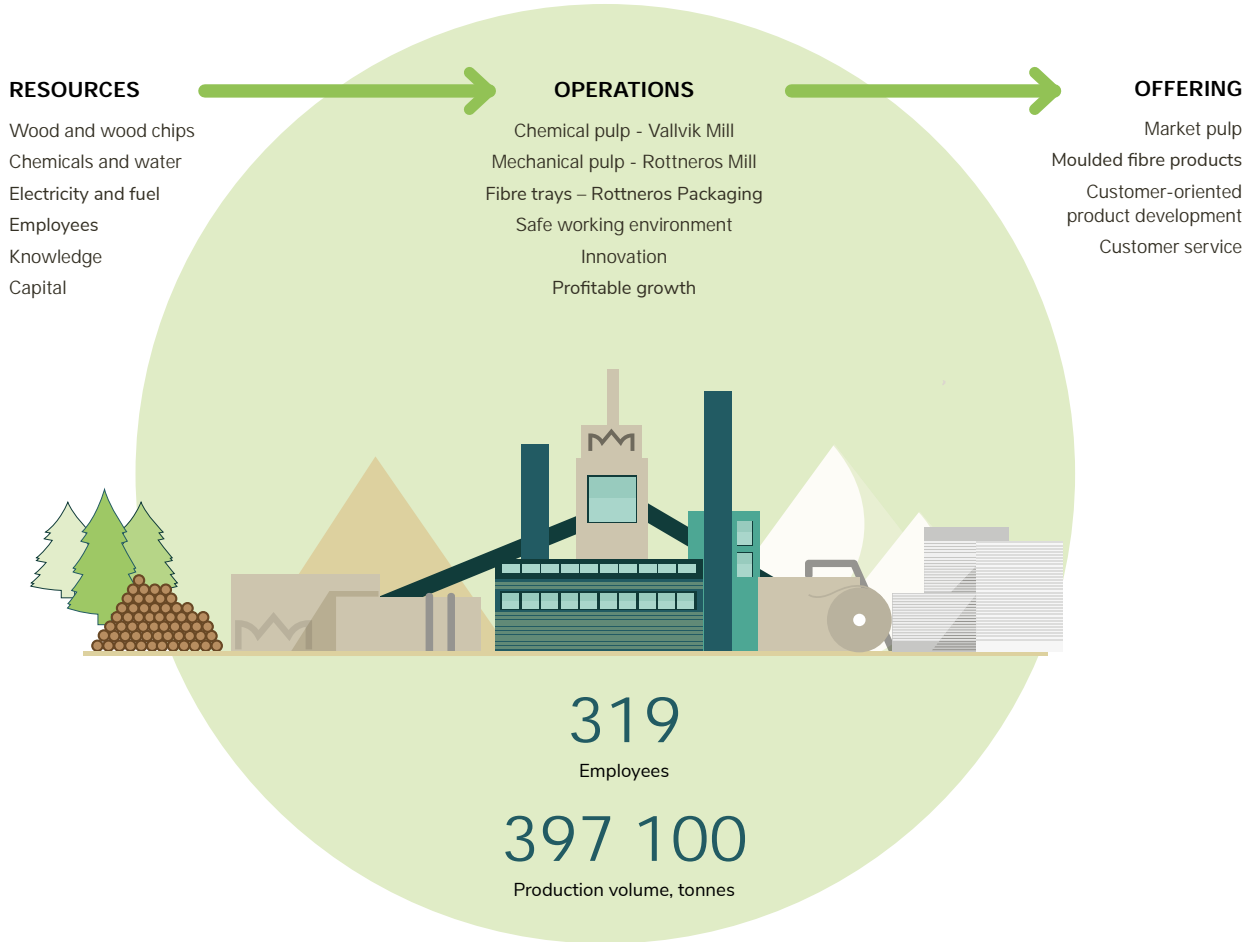


Rottneros is an independent global supplier of premium market pulp for selected niches. Moreover, development and sales of climate-smart packaging, such as moulded fibre trays, are important for the future.

Rottneros is a profitable and long-term sustainable company that contributes to a better and cleaner world through our products, always responsible and with great care for the environment. We are constantly developing our offering with the help of a high technical expertise and close customer relations. By putting employees at the centre, we can create a safe, stimulating and engaging workplace where the focus is on innovation.

# Rottneros in brief

Rottneros has been developing and producing chemical and mechanical market pulp for 100 years. Our quality pulp is delivered to niche markets in Europe, Asia and North America. Most of the production goes to the growing market for board and packaging and our strongest positions are in pulp for filters and electrotechnical insulation materials.



## BUSINESS CONCEPT

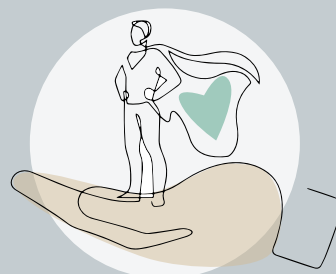
Guided by curiosity and experience, we offer products and services close to our customers

Rottneros has been in business for over 100 years, and its collective expertise and experience cannot be overstated. Combined with a strong sense of foresight, curiosity and innovation, we manage to be successful over time. We have good, close, long-term relationships with our customers that enable us to gain a deep understanding of their markets and challenges. Together we develop products and services for the future.



VISION

Always make a difference



APPLICATIONS



Board and packaging



Air and liquid filters



Electrotechnical applications



Tissue paper



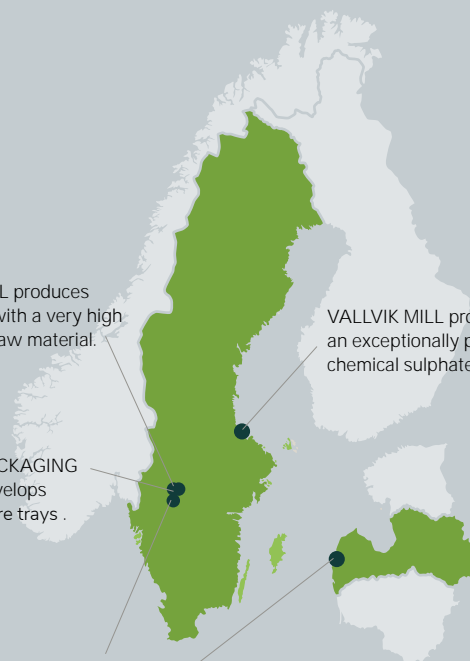
Fibre cement



Special applications



Fibre trays



ROTTNEROS MILL produces mechanical pulp with a very high yield from forest raw material.

VALLVIK MILL produces an exceptionally pure chemical sulphate pulp.

ROTTNEROS PACKAGING produces and develops climate-smart fibre trays.

ROTTNEROS BALTIC in Latvia and NYKVIST SKOGS in Värmland provide the mills with pulp wood from certified and sustainably managed forests.

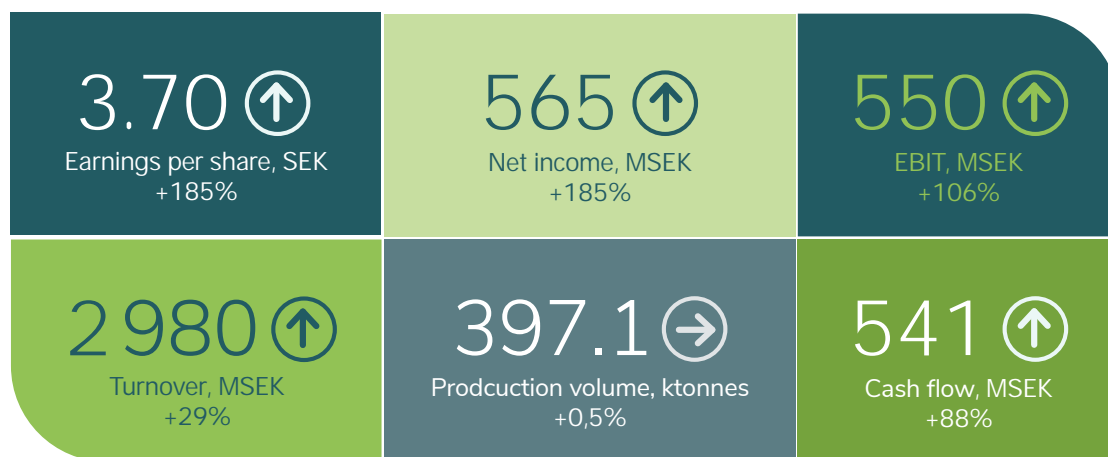
VALUES

We are committed, We respect everyone, We are professionals

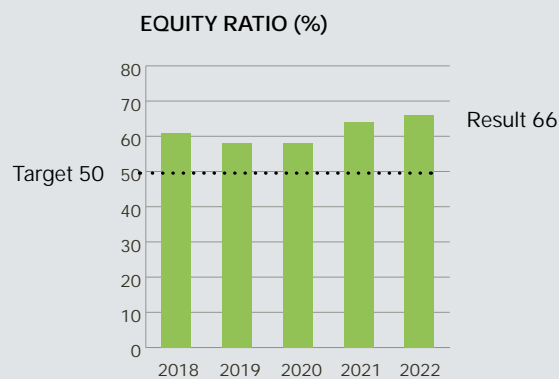
Rottneros' fundamental values shape our company culture, the way we interact and how we build relationships with each other. It's through our behaviour and actions that we can make a difference.

- We are committed to each other, to the community and to operating with the lowest impact on the environment that we can achieve.
- We respect all people and treat everyone equally. Diversity is encouraged.
- We place high demands on ourselves and each other. We always act to ensure our own safety and that of others.
- We love solutions that combine research, technological development and eco-friendly products.
- We want to understand, propose and implement in practice.

# The Year in Brief



MSEK UNLESS OTHERWISE STATED	2022	2021	Change
Net turnover	2 980	2 303	677
EBITDA	691	385	306
EBIT (operating profit/loss)	550	267	283
Profit/loss after financial items	714	246	468
Net income	565	198	367
Earnings per share, SEK	3,70	1.30	2.40
Cash flow from operating activities	541	288	253
Production, thousand tonnes	397.1	395.3	1.8
Deliveries, thousand tonnes	388.4	403.2	-14.8

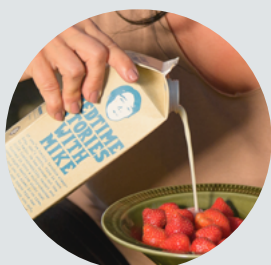


# Significant events during the year



## RECORD-BREAKING PERFORMANCE

2022 was a record year for Rottneros in terms of profit, despite a turbulent world. The favourable pulp market combined with the strong USD were the key drivers. Several internal factors were also important. One such factor entailed improving the product mix by increasing the share aimed at the Group's prioritised applications; another was the high flexibility of the organisation, which enabled production to be adapted in response to sharp electricity price movements. The electricity price hedges more or less fully offset the at times exceptionally high electricity prices. The result has also been affected by the dismantling of the ground-wood line and financial income from electricity price futures.



## NEW PRODUCTION RECORD FOR CTMP

Production of CTMP (Chemi-Thermo-Mechanical Pulp) at Rottneros Mill was successful, growing 6 percent to more than 115 thousand tonnes - a new annual record, despite short stoppages due to exceptional electricity price peaks. A number of activities were carried out during the year to increase availability in production and ensure high reliability. Preparations for the planned investment to expand capacity in the CTMP line were under-way for much of the year.



## GOOD SHAREHOLDER RETURN

The General Meeting approved, in accordance with the Board's proposal, a dividend of 0,60 SEK per share, based on earnings in 2021. The dividend corresponded to a total of 91 MSEK and was based on Rottneros' robust business development and solid financial position. The total shareholder return for 2022 - share price development plus direct return calculated on the share price at the beginning of the year - amounted to +23 percent. This amount can be compared with the average total return for the Stockholm Stock Exchange according to the OMX Stockholm GI in the same year, which was -22 percent.



## THE GROUNDWOOD LINE AT ROTTNEROS MILL WAS DISCONTINUED

After a long-term analysis, the Board decided to discontinue the production of ground-wood pulp at Rottneros Mill and the production was discontinued in December. The radically changed electricity market and the negative outlook for writing and printing paper had negatively affected the conditions for long-term sustainable profitability. The ground-wood line was started in 1887 and closed down after 135 years of production. During the last years, the line was the last ground-wood pulp producer in Sweden.



## ROTTNEROS PACKAGING'S PROJECT IN POLAND PROCEEDED ACCORDING TO PLAN

The factory project in Poland for moulded fibre trays, together with Arctic Paper, was on schedule, with start-up planned for the end of 2023. Production capacity is expected to reach 60-80 million packages, which is significantly more compared with the current plant in Sunne. In addition to providing the market with fossil free packaging solutions, the goal is to use the plant as a model with respect to the high quality of the product, as well as the scalable and competitive production.

# After a highly successful year, we look to the future with confidence, well aware of the challenges that lie ahead

2022 was a record year for Rottneros in terms of profit, despite a turbulent world. The favourable pulp market, along with a strong USD, were important drivers, while our electricity hedges offset the electricity prices, which were exceptionally high at times. In response to the problematic electricity market combined with shrinking demand for groundwood pulp, the Board decided to close the groundwood line at Rottneros Mill.

The year 2022 was marked by Russia's invasion of Ukraine and its consequences. While the direct effects on Rottneros were limited, the indirect were extensive, especially in terms of the impact on the energy situation throughout Western Europe, including Sweden.

The pulp market was extremely strong for much of the year, which when combined with a strong USD, enabled the Group to post record earnings. Electricity prices, which were periodically extremely high, had no significant effect on earnings since they were almost entirely offset by our electricity hedges.

Production of CTMP at the Rottneros Mill ran smoothly and set a new annual record, despite short stoppages due to exceptional electricity price peaks. At Vallvik Mill, unplanned interruptions kept production at the previous year's level. The underlying production rate gradually picked up, however, in response to our determined efforts to increase availability.

## INCREASED FOCUS ON SUSTAINABILITY

The development of Rottneros' strategic position as an efficient and leading niche player with a focus on profitability and long-term value growth continues. Achieving fossil free production is one of the most central focus areas of the effort, while energy efficiency improvements are becoming increasingly important in light of the changing conditions in our world.

In the autumn, the environment, energy, sustainability and innovation functions were combined directly under one person in Group management, to further strengthen our strategic focus in these areas.

## GROUNDWOOD PULP PHASE-OUT, INVESTMENT IN CTMP

After an in-depth and long-term strategic analysis, the Board of Directors decided in August to phase out production of groundwood pulp at Rottneros Mill. Unfortunately, the radical change in the electricity market, along with the negative outlook for printing and writing papers, made it impossible to achieve adequate profitability over time. The decision represented a major change for the Group and was associated with great sadness for us, given the employees affected and Rottneros' more than 100-year history in pulp. The preparations prior to the decommissioning decision and the actual implementation affected the organization during a large part of the year.

In parallel with the decommissioning work, preparations were underway for the planned investment in additional CTMP capacity. Here we consider the prospects for profitability to be very good and we are therefore planning a significant increase in capacity from the current 120 thousand tonnes to 150-170 thousand tonnes in a few years. We are optimistic about the growing packaging market, one of the most important markets for CTMP.

## SAFETY WORK YIELDS RESULTS

Employee safety is always at the top of our agenda. We can therefore state with great satisfaction that these efforts are producing results in the form of fewer incidents causing sick leave. In year 2022, the number of accidents with sick leave decreased to 7.4 LTIFR from 13.0 compared to the previous year. LTIFR indicates the number of accidents with sick leave per million hours worked. Now we continue to work with a view to our zero vision.

## STRONG TAILWIND IN THE MARKET

The pulp market was extremely favourable for much of the year, with significant price increases as a result. However, demand began to cool in the fourth quarter, influenced by a slowdown in the global economy. As a result, prices fell slightly from very high levels.

During the year, we saw a clear boost in our selected market segments, mainly filters, packaging and electrotechnical applications. At the same time, our exposure to the more bulk-focused printing and writing papers and tissue segments decreased.

## EFFICIENCY IMPROVEMENTS OFFSET INCREASED COSTS

Towards the end of the year, there were clear signs of a general increase in input cost inflation. We therefore further intensified our focus on efficiency improvements to offset higher costs.

In general, we saw clear signs of increased competition for pulp wood. As the flow of pulp wood from Russia ceased, the market balance became increasingly tight in the Nordic and Baltic countries. In addition, sawmill production slowed down towards the end of the year, which had a direct impact on the supply of pulp wood. Moreover, energy producers also competed for the pulp wood to a greater extent than in the past.

Our fibre supply is secure thanks to lengthy relationships with our suppliers. These relationships were further strengthened through Nykvist Skogs, which we acquired in 2020.





### VERIFIES POTENTIAL IN PACKAGING

It is gratifying that Rottneros Packaging's major project in sustainable packaging solutions in Poland together with Arctic Paper is proceeding according to plan. Start-up is planned for the end of 2023. The project represents a milestone in demonstrating that the technology we developed in Sunne, to produce high-quality fossil free packaging solutions, also works on a full industrial scale.

### LONG-TERM ENERGY SUPPLY

The issue of our future energy supply has become increasingly critical in the light of global developments. So far, our strategy of hedging our electricity prices with electricity futures has been very successful and has almost fully offset the higher market prices. We are now preparing to supplement this with self-generated green electricity and very long-term purchase agreements of fossil free energy, to gradually reduce our exposure to the volatile and uncertain electricity market. Investments to further increase the energy efficiency of our mills may also be required.

At the same time, however, cost inflation and long lead times for new equipment pose challenges for us.

### WELL PREPARED FOR POTENTIAL CHALLENGES

With our strong financial position, we are well prepared for the challenges that may arise, especially given the uncertain outlook for the global economy. This position also allows us to continue to focus on the Group's strategic development and take a long-term approach to both sustainability and financial returns for our shareholders.

In conclusion, I would like to express how happy and proud I am to be part of Rottneros, with our fantastic team of dedicated colleagues. I would like to extend a warm thank you to all of them. I would also like to express our appreciation to our customers, suppliers and the Board for their efforts during the year. As part of the solution to the climate problem, along with the rest of the forest industry, we are very confident about the future.

**Lennart Eberleh**  
CEO and President

# Trends affecting the pulp market



## Higher standard of living

Global economic expansion, with rising population growth and a higher standard of living, are the main drivers for the steadily growing use of pulp in the world. Over the last five years, demand for market pulp has grown by about two percent annually. Asia has accounted for about 90 percent of the increase and is increasingly important for sales of Rottneros' products. Tissue paper is the area of application demonstrating the fastest growth, accounting for about 40 percent of market pulp consumption worldwide.



## Digitalisation

The pervasive digitalisation of media continues to drive changes in the structure of the market. Demand is gradually moving from pulp for printing and writing papers towards pulp for other applications such as packaging, tissue paper and specialty paper. At the same time, the steady growth of e-commerce increases the need for packaging.



## Sustainable packaging is becoming increasingly important

Sustainability is becoming increasingly important to consumers, who are often aware of the impact of food production, food packaging and food waste on the environment. The advantage of board as a fossil free and sustainable packaging material is also confirmed by several studies. Rottneros is actively participating in this transition as a supplier and has a high level of expertise in pulp for board. The Group also has a growing production of fibre-based trays entirely free of harmful chemical additives.



## Extension and maintenance of electricity grid

The massive transition to new and renewable energy sources is increasing the need for new electricity infrastructure, especially in Europe and the US, while existing electricity grids are in need of maintenance. This trend is leading to increased demand for E-pulp, which is used for electrotechnical insulation in transformers and is a niche in which Rottneros is world leading. The strong economic and industrial expansion in Asia is also driving increased demand for E-pulp.

# Strong market in Europe, with record prices

Global logistics bottlenecks continued to restrict transport options for paper and board from China for much of year 2022, resulting in higher demand for pulp in Europe. As a result, prices in Europe were at record highs for part of the year. The pulp market is expanding for the long term, mainly due to rising demand for hygiene products and packaging in the rapidly growing countries of Asia and South America.

### GLOBAL USE OF VIRGIN FIBRE

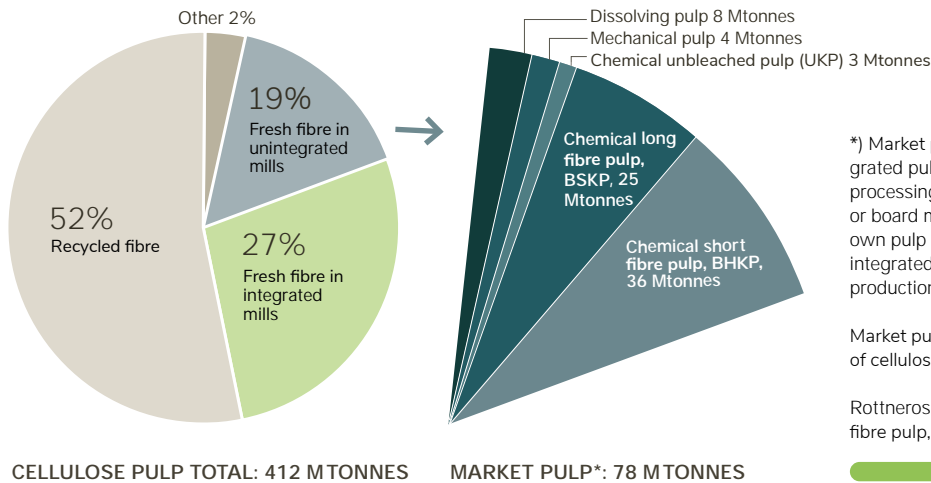
The use of cellulose fibre for production of paper, board, textiles and hygiene products worldwide amounts to about 412 million tonnes per year. Just over half of this consists of recycled fibre. The rest is “fresh fibre” from coniferous and deciduous trees, about 190 million tonnes annually. Around 60 percent of this is produced and consumed in integrated paper and board mills.

The remainder, around 78 million tonnes, consists of market pulp. It is dominated by chemical pulp, about 42 percent of

which is long-fibre pulp made from softwood. The proportion of mechanical pulp is relatively modest, about 4 million tonnes.

Europe, which is Rottneros’ main market, consumes just over 19 million tonnes of market pulp annually, corresponding to about 24 percent of global consumption. About half of the world’s market pulp, around 36 million tonnes, is consumed in Asia, including 23 million tonnes in China. The North American market, which is dominated by hygiene products and specialty paper, amounts to about 8 million tonnes. >>

## Global use of cellulose pulp



\*) Market pulp is usually sold from unintegrated pulp mills, without their own further processing. The pulp is mainly sold to paper or board manufacturers that do not have their own pulp mills. Some is also purchased by integrated mills, to complement their own production.

Market pulp accounts for a total of 19 percent of cellulose fibre (78 Mtonnes) used worldwide.

Rottneros produces and sells chemical long fibre pulp, UKP and mechanical pulp.



The digitalisation of media has entailed major efforts to adapt production to the gradually declining demand for printing and writing papers. For pulp producers, this entails a continued shift to other customer segments and product niches moving forward.

### ASIA DRIVES GLOBAL GROWTH

Demand in the mature Western industrialised countries is generally stagnant or declining, while consumption in Asian markets in particular is showing long-term growth. Global economic expansion, with rising population growth and a higher standard of living, are the main drivers for the steadily growing use of pulp in the world. China is currently the world's largest buyer of market pulp and since 2010, the country has increased its share of the global market from just over 20 percent to about 35 percent. However, market imbalances caused the development in 2022 to deviate from the long-term trend. Demand for market pulp rose in Europe, while it fell in China and the rest of Asia.

### DIGITALISATION RESHAPES THE MARKET STRUCTURE

Just over a decade ago, more than 40 percent of the world's market pulp was used for production of graphic paper, referred to here as printing and writing papers, while consumption today is around 20 percent. The digitalisation of media has entailed major efforts to adapt production to the gradually declining demand. For pulp producers, this entails a continued shift to other customer segments and product niches moving forward. The trend is shifting from printing and writing papers to pulp for packaging, specialty papers and the fastest growing applications, tissue and hygiene products.

Tissue paper is currently the largest application for market pulp, and currently accounts for just over 40 percent of global consumption. China is the world's largest tissue market, followed by the US. Tissue is mainly produced in non-integrated paper mills. For Rottneros, tissue paper makes up a smaller share of deliveries at around 6 percent.

### STRONG PRICE TREND DURING LARGE PARTS OF THE YEAR

Global logistics continued to be affected by the aftermath of the pandemic at times in 2022, with container shipping prices remaining high. Pulp pricing continued to be more regional than global. Demand for pulp in Europe was therefore robust from January through September because of relatively limited competition from Chinese paper, as well as low supplies from South America. As a result, the list price for NBSK in Europe rose to record highs at the end of the third quarter, around 1 500 USD.

In the fourth quarter, the weaker global economy caused the market to slow down. Demand for paper and board weakened, forcing paper manufacturers to cut production. As a result, the list price for NBSK in Europe fell from 1 500 USD to 1 430 USD in the fourth quarter, but the balance between supply and demand for pulp remained good and global pulp stocks were largely unchanged.

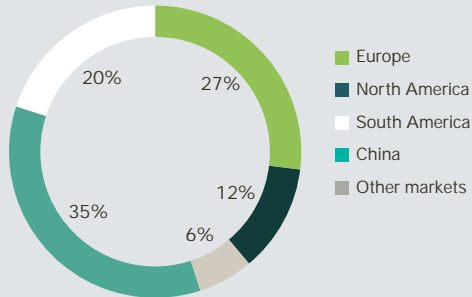
### DEMAND AND DELIVERIES FOR THE YEAR

In 2022, demand for market pulp increased by 1.3 percent, to approximately 78 million tonnes. Demand for unbleached pulp continued to grow strongly, +11.5 percent, driven by continued good growth in various niche applications.

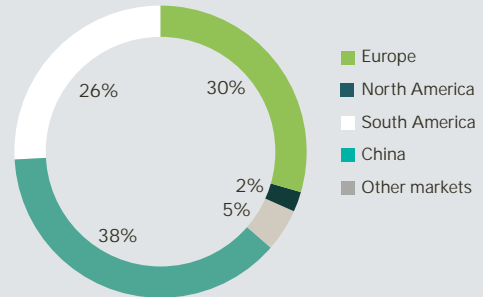
The deliveries of tissue paper in the world rose by 2 percent, while the deliveries of writing and printing paper decreased by 5 percent on the market. However, the structural decline in printing and writing papers is expected to continue. >>

# Global demand by pulp quality

CHEMICAL MARKET PULP

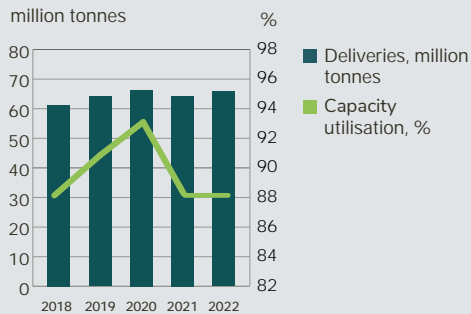


MECHANICAL MARKET PULP

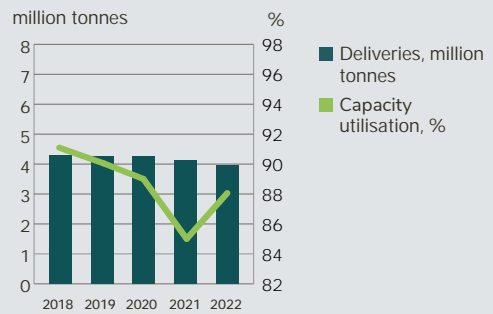


# Global deliveries and capacity utilisation

CHEMICAL MARKET PULP

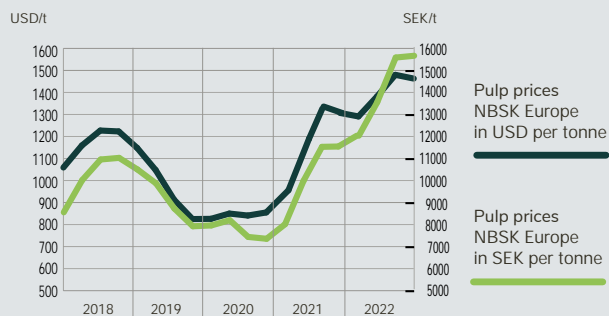


MECHANICAL MARKET PULP

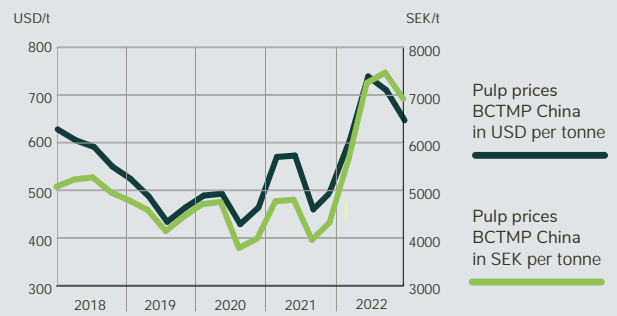


# Pulp prices

PULP PRICES (NBSK)



PULP PRICES (BCTMP)



**NICHES WHERE ROTTNEROS HAS COMPETITIVE ADVANTAGES**

Rottneros' strategy focuses on market leadership in a number of selected niches, both current and new. The long-term objective is to increase the proportion of sales that go to markets with good growth and profitability. The organisation is also working diligently to identify additional growth segments in which Rottneros can leverage its competitive advantages. In 2022, the company removed printing and writing papers as a priority area, as the market is expected to continue to shrink in line with digitalisation and since the groundwood line at Rottneros Mill was closed.

The Group focuses on areas such as growth in pulp for board and packaging manufacturing. Here, the market position is already strong at the outset.

Continued growth is also expected in the market for pulp for air and liquid filters, based on Rottneros' leading global market position.

E-pulp is yet another important product that is ideal for purposes such as electrotechnical insulation in transformers. The strong economic expansion in Asia and Latin America will contribute to increased demand moving forward. The ongoing transition to renewable energy sources is also an important driver. As a result, more transformers are being built, which increases the demand for E-pulp. Wind turbines are often located far from electricity users, which means that completely new infrastructure needs to be built. The increase in electric cars also requires a new infrastructure to provide charging stations.

**FOOD AND BEVERAGE PACKAGING REQUIRES QUALITY**

The high quality of Rottneros pulp makes it ideal for food and beverage packaging. The unbleached sulphate pulp produced in Vallvik Mill, for example, is ideal for the growing application of brown liquid packaging board. The mill's high washing capacity makes it possible to produce a very pure unbleached pulp, which entails clear competitive advantages and thus a strong market position.

The long-term fibre tray initiative through Rottneros Packaging is also an important building block in the company's overarching focus. The extensive experience and expertise in fibre trays for food, together with a leading position in the main raw material for the trays, mechanical pulp, are important competitive advantages.

**CLOSE AND LONG-TERM CUSTOMER RELATIONSHIPS**

Rottneros focuses on leveraging its expertise in terms of both technology and production to establish and further advance its market position within these selected niches. This requires close, long-term relationships with customers and in-depth knowledge of their business and needs. Consequently, the Group has a well-resourced sales organisation in the main market, Europe, in order to be closer to its customers and offer the best possible service.

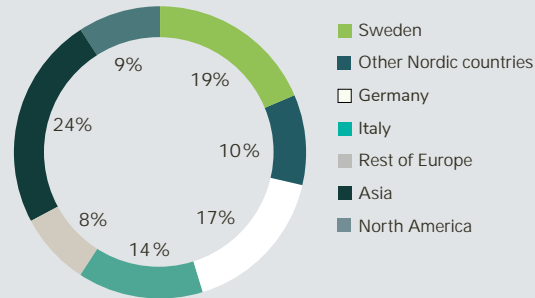
Around one third of the Group's sales are to markets outside Europe. These volumes are mainly destined for Asia and the North-eastern United States. Despite strong domestic production in North America, there is a clear need for the chemical specialty pulps that Rottneros produces within the Group's selected niches.

Rottneros focuses on areas such as growth in pulp for board and packaging manufacturing. Our market position is already strong here in Asian countries such as India and Indonesia.



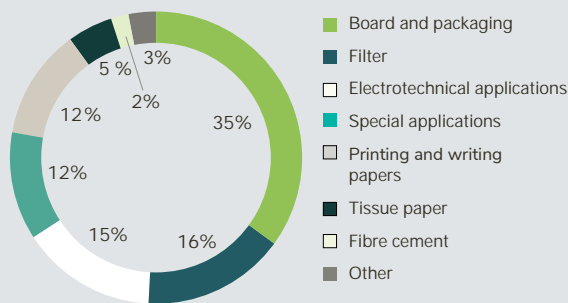
# Deliveries by geographic market

ROTTNEROS TOTAL SALES IN % OF TURNOVER, MSEK

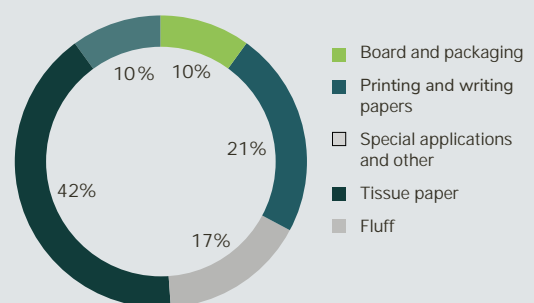


# Deliveries by application

**ROTTNEROS**  
Breakdown in % of deliveries, tonnes

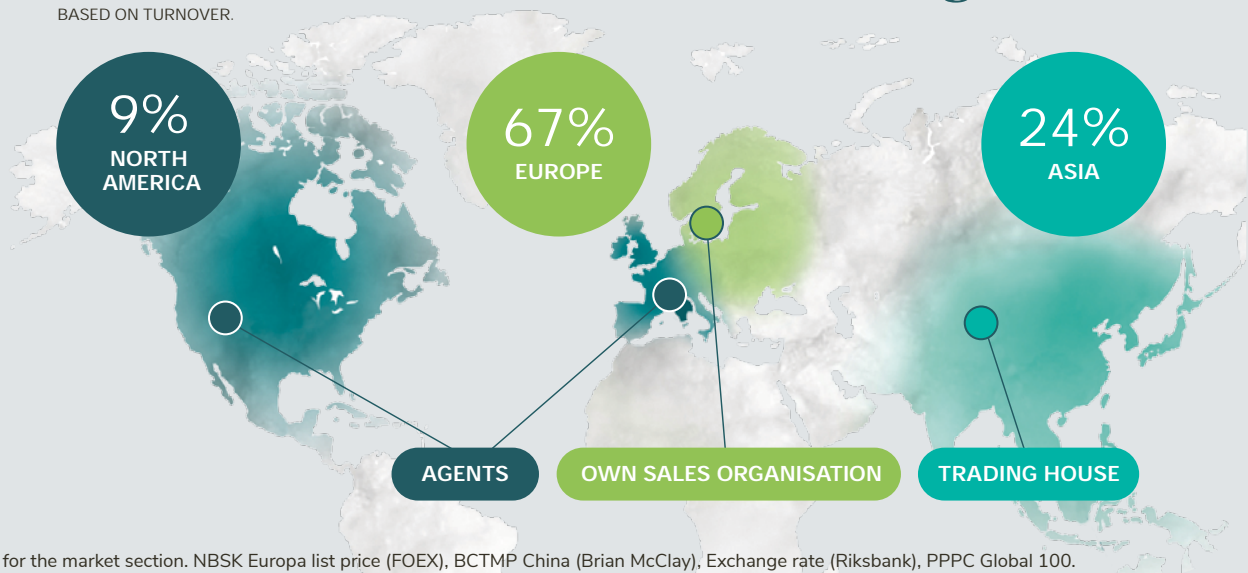


**GLOBAL PULP MARKET**  
Breakdown in % of deliveries, tonnes



# Rottneros' deliveries and sales organisation

BASED ON TURNOVER.



Sources for the market section. NBSK Europa list price (FOEX), BCTMP China (Brian McClay), Exchange rate (Riksbank), PPPC Global 100.

# With a focus on people, we contribute to a cleaner world

Rottneros' responsibility extends beyond its borders.

We are responsible in our approach to the business's resources, employee skills, and how we use raw materials from the forest. Our products can be used in fibre-based applications that replace fossil-based products. In this way, we contribute to a cleaner world and create sustainable value for our stakeholders.

## Resources

319

EMPLOYEES



Our employees can be found in three production units, as well as Group-wide sales and support functions.

## How we work

100

YEARS OF PULP PRODUCTION

To achieve its long-term goals, Rottneros has set a number of strategic priorities within safety, sustainability, productivity and offering. Operations are run responsibly and sustainably in order to deliver on our financial, environmental and social goals.

5

SUBSIDIARIES

The Group consists of Rottneros AB and its subsidiaries Rottneros Mill, Vallvik Mill, Rottneros Packaging, Nykvist Skogs and Rottneros Baltic.

1 400 000



CUBIC METRES OF PULP WOOD

The forest as a renewable raw material is the starting point in the circular forestry industry, in which Rottneros is active.

2 256 MSEK

SEK IN EQUITY

### HEALTH AND SAFETY

Employee health and safety is central to daily operations at Rottneros. The aim of our systematic work is to create a safe, inclusive and attractive workplace where employees can feel secure - both physically and psychosocially.

### SUSTAINABILITY

Long-term sustainable value creation for our stakeholders underpins the Group's strategic decisions and permeates the entire business - from raw materials and production to our renewable products, which contribute to the transition to a more climate-friendly society.

### PRODUCTIVITY AND PROFITABILITY

We are gradually increasing the production volume of prioritised products, through higher availability and a gradual increase in capacity. Within this framework, results are achieved through a focus on safety, preventive maintenance, a clear structure, neatness and order, optimised routines and continual efforts to eliminate bottlenecks.

### OFFERING

Rottneros offers products that provide clear quality advantages in selected niches. The focus is on areas where we see good market growth. At Rottneros, we successfully create long-lasting customer relationships by offering fast and flexible service, a high level of technical support, and solid experience in customer applications.

Our values shape the corporate culture at Rottneros, forming the basis for how we relate to - and interact with - each other.



We are committed  
We are professionals  
We respect everyone





## What we offer →

# 4

### PRODUCTS

Rottneros is an independent and flexible niche producer of chemical and mechanical market pulp of the highest quality, as well as wet-formed fibre trays. These products have many uses and can often replace fossil-based alternatives. Demand for green products is rapidly growing and the pace of innovation in this area is high.



#### MOULDED FIBRE TRAYS

The trays are suitable for food or industrial applications, hot or cold, wet or dry. They work well for freezing and defrosting in a microwave or traditional oven.



#### ECF (Elemental Chlorine Free)

Bleached long-fibre sulphate pulp used for the manufacture of filters, board products, printing and writing papers and special applications.



#### UKP (Unbleached Kraft Pulp)

Unbleached long-fibre sulphate pulp used for the manufacture of filters, in electrotechnical applications (E-pulp) for food packaging and special applications.



**CTMP** (Chemi-Thermo-Mechanical Pulp) Mechanical pulp, bleached and unbleached. Used mostly for board and packaging.

Until December 2022, groundwood pulp was also included in the assortment.

## Creating value for our stakeholders

### EMPLOYEES

- Safe workplace with good conditions.
- Employer that offers health promoting activities and measures.
- Great opportunities to be involved and have an influence.
- Stable company that has been around for a long time.
- Skills development.
- Employer that prioritises diversity and equal treatment.
- Participation in profit-sharing foundation.

### CAPITAL MARKETS

- Long-term sustainability and profitability
- Dividend 30-50% of net income

**91 MSEK**  
IN DIVIDEND YEAR 2022

### CUSTOMERS

- High and consistent product quality
- Solution-oriented, reliable supplier
- Best service and technical expertise
- Warehousing and supply reliability
- Certifications

### SUPPLIERS

- Safe workplace
- Fair procurement processes
- Long-term relationships

### COMMUNITY

- Job opportunities in small towns
- Taxes and social security contributions
- Better safety - less medical care
- Reduced environmental impact

# Strategic priorities

Rottneros' strategy defines our long-term targets and focus areas. The clear priority areas of the strategy guide us in our decisions and help us to achieve the positive changes we want within the Group.

Rottneros will continue to make a difference and create sustainable value for our stakeholders where our focus areas and goals help us to make the right decisions. We will continue to develop products and be a reliable supplier of high quality market pulp for our selected market niches.

Rottneros' responsibility extends beyond its borders. Long-term responsible approach to doing business is the basis for continuing to create the right value for our stakeholders. The safety and security of our employees is one of our top priorities. A safe, secure and healthy working environment with high levels of participation and diversity is the way forward.

We create long-term profitability through satisfied customers, flexibility, stable annual growth in production volume and good cost control.

A clean environment is central to Rottneros. Our products come from sustainably managed forests and can replace fossil-based products on the market. To reduce our environmental impact from manufacturing, we also focus on achieving fossil free production by 2030 and continuously reducing emissions to air and water.

Our strategy – from business concept and vision to goals and value creation – is illustrated on the next page.

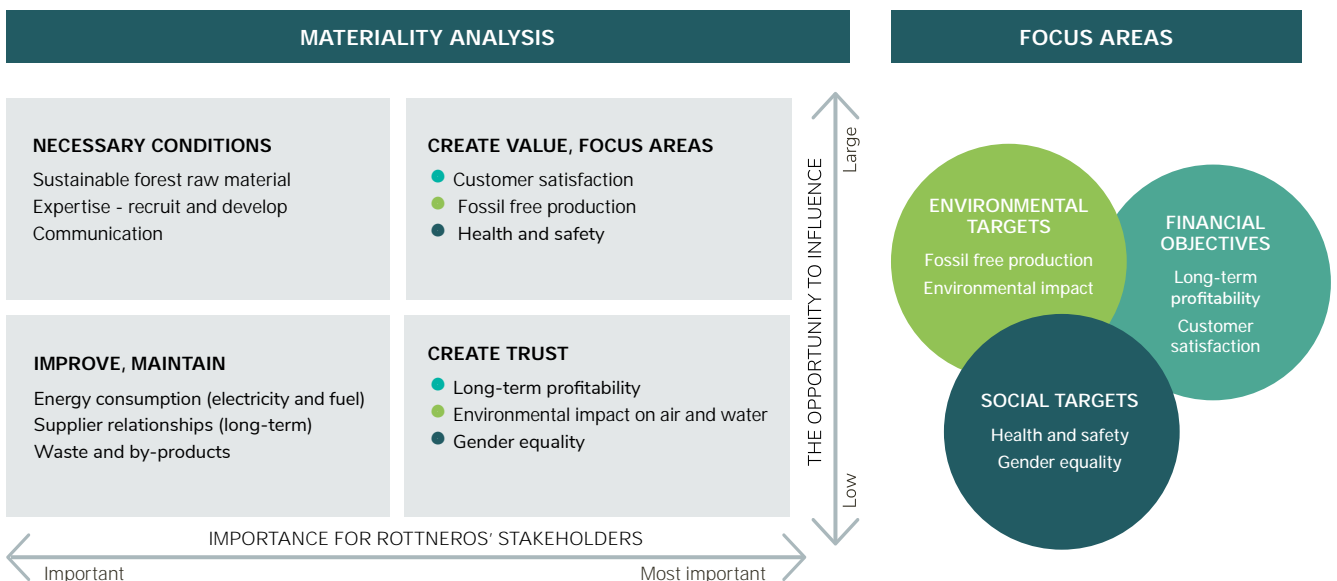
## Stakeholder requirements serve as foundation

Rottneros identified its focus areas and long-term targets based on our stakeholders and their most important requirements and expectations, see page 17. The priorities of the stakeholders were ranked from important to most important.

In the next step, the requirements were ranked based on the degree to which Rottneros can influence and create value for stakeholders. The results are shown in our materiality matrix below.

Based on the results, we have selected six different focus areas that can also be linked to five of the UN's Sustainable Development Goals. Key performance indicators for each focus area were also identified as part of this initiative, see the next spread. The outcomes are continually monitored and serve as the basis for the Group's strategic decisions and activities.

Rottneros' daily work includes all of the identified sustainability issues as shown in the matrix below.



## Created values

Continue to make a difference by creating growth and profitability while reducing environmental impact through responsible and strong long-term relationships with our employees, suppliers, customers, owners and other stakeholders.



## Rottneros' targets



Reduce dependence on variations in pulp prices and exchange rates by broadening the business base and increasing the proportion of revenue that does not come from pulp sales.

Offset inflation within fixed costs through annual growth of production volume.

Maintain the strong equity/assets ratio and low debt/equity ratio.

Long-term and close customer relationships.

Stable production flow combined with an even and high pulp quality, which enables us to sell more to our selected niches.



Vision zero approach to workplace accidents leading to sick leave.

Increase the proportion of female employees.



Reduce emissions to air and water by a good margin under established conditions.

Fossil free production according to GHG Scope 1 & 2 by 2030.

The UN has 17 global development goals and Rottneros has identified the goals on which it has the greatest impact. These are the sub-goals:

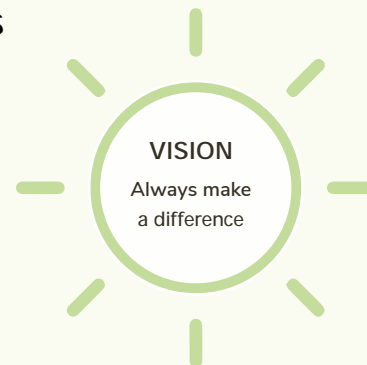
- 5.5 Ensure full participation in leadership and decision-making.
- 8.8 Protect labour rights and promote safe working environments.
- 12.2 Sustainable management and use of natural resources.
- 14.1 Reduce marine pollution.
- 15.2 Ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems.



## Rottneros' cornerstones



We are committed  
We respect everyone  
We are professionals



# Rottneros' targets and outcomes

Rottneros manages and monitors its activities in six focus areas, which are divided into three target areas. Targets and focus areas are formulated based on the key requirements of our stakeholders.

## Social targets

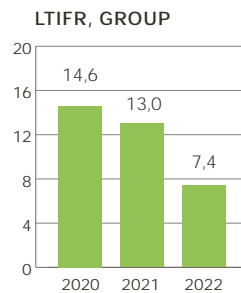
### ACCIDENT WITH ABSENCE

#### Target: Annual reduction

Rottneros has a vision zero approach to workplace accidents leading to sick leave. The aim is for the LTIFR\* to fall each year.

#### Outcome:

The number of accidents involving sick leave has decreased. The organization has a clear focus on working with preventive measures and eliminating accident risks.



\*LTIFR (Lost Time Injury Frequency Rate) indicates the number of accidents with sick leave per million hours worked.

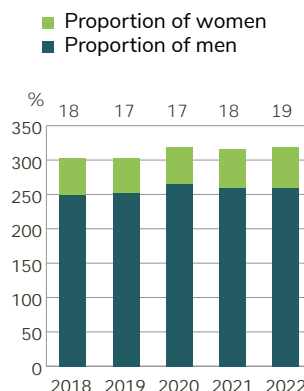
### PROPORTION FEMALE EMPLOYEES

#### Target: 30% in 2025

The aim is to increase the percentage of female employees to 30 percent by 2025.

#### Outcome:

The proportion of female employees has increased marginally. We have been successful in increasing the proportion of women in recruitment, but we have a higher staff turnover of female employees. This means, from now on, we will place greater focus on our organisational work environment and ensure that it is so good that all employees want to stay with us.



## Environmental targets

### EMISSIONS TO AIR AND WATER

#### Target: Annual reduction

Annually reduce emissions of oxygen-demanding substances to water by a good margin to the set conditions, measured in COD /tonne pulp.

#### Outcome:

Raised from 15.2 to 15.8. To a large extent, it was due to problems with a leaking anaerobic tank at Rottneros Mill, which meant that the anaerobic was shut down since September 2021. Also problems with the delivery of aerators to the aerated pond affected the result.

### CARBON DIOXIDE EMISSIONS CO<sub>2</sub>

#### Target: 0 in 2030

Annually reduce carbon dioxide emissions. The target is fossil free production by 2030 according to GHG Scope 1 & 2.

#### Outcome Scope 1:

Decreased by 2.7 ktonne for the group in 2022 compared to the previous year.

#### Outcome Scope 2:

The amount of electricity purchased increased due to a turbine breakdown in Vallvik Mill. The share of fossil carbon dioxide also increased in the purchased electricity.

### SUSTAINABLY MANAGED FORESTS

#### Ambition: 100%

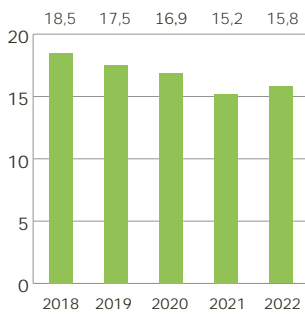
The Rottneros Group aims to ensure that 100 percent of raw materials from the forest that are acquired shall be certified under the two systems FSC® and PEFC.

#### Outcome:

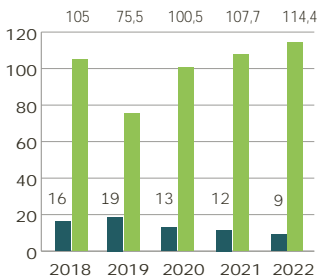
In year 2022, Rottneros Mill bought more raw material from suppliers with **Controlled wood** and reduced purchases of forest from the larger suppliers with timber according to the above certificates.

# Financial objectives

kg/tonne



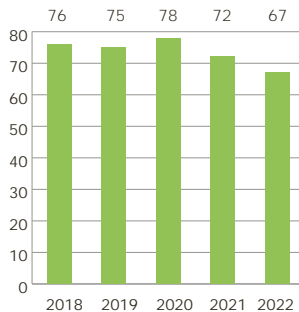
ktonne



\* Based on environmental impact (g/kWh) for the Nordic residual mix in the previous year.

■ Scope 1 ■ Scope 2\*

%



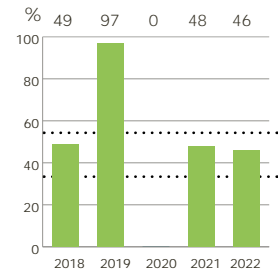
## DISTRIBUTION OF NET INCOME

**Target: 30-50%**

The goal is a good return to shareholders, between 30 and 50 percent of net income

**Outcome:**

Robust balance sheet provides the opportunity to good dividend to shareholders.



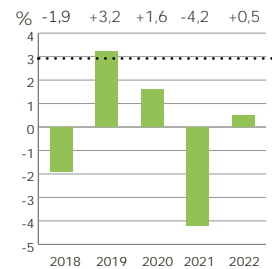
## PULP PRODUCTION, ANNUAL GROWTH

**Target: +3%**

Offset inflation within fixed costs through annual growth of production volume.

**Outcome:**

Production increased compared to 2021, but high electricity prices led to production limitations.



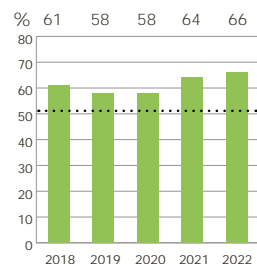
## EQUITY/ASSETS RATIO

**Target: >50%**

Maintain the strong equity/assets ratio and low debt/equity ratio.

**Outcome:**

A record-breaking year results in an even stronger balance sheet.



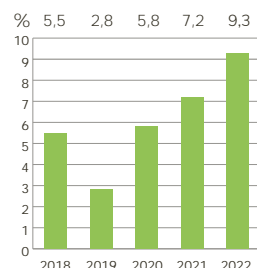
## SHARE OF REVENUE, NON-PULP

**Target: 10% in 2023**

Dependence on fluctuations in pulp prices and exchange rates can be reduced by increasing the proportion of non-pulp revenue.

**Outcome:**

The increased turnover is due to increased volumes and higher selling prices.



# Rottneros Group certifications and awards

Through Rottneros' various certifications, our stakeholders can trust that our approach and products are audited and meet the requirements of the specific certification standard.

## Certified pulp production

Rottneros pulp production is certified according to international standards for quality, environmental and energy management systems (ISO9001:2015, ISO14001:2015 and ISO50001:2018). All of our pulp is also approved for production of paper and board intended for food contact and labelled with the Swan and EU Ecolabel.



## Sustainable forest raw material

All wood used is traceable and all pulps are available as PEFC- or FSC®-certified.



The mark of responsible forestry

## Certified food trays

Rottneros food trays have food contact certificates and are available as FSC® certified.

## Awards

EcoVadis has awarded Rottneros Mill a Gold rating and Vallvik Mill a Silver rating for our sustainability performance in year 2022.



### FSC® CERTIFICATE

The Forest Stewardship Council (FSC®) is an independent member-led organization that assures environmentally appropriate, socially accountable and economically viable forest management of the world's forests. FSC®-certified forest owners comply with national and local laws, as well as binding international agreements. FSC®-certified forest managers also follow specific codes of conduct, such as promoting safe and healthy working conditions for those who work in the forest and protecting:

- Endangered animals and plants,
- The ability of the soil to support forest growth moving forward,
- Indigenous peoples' rights.

### PEFC CERTIFICATE


The Programme for the Endorsement of Forest Certification (PEFC) is the world's largest certification scheme for sustainable forest management, with a holistic approach to environmental, social and economic issues. The PEFC has its roots in family forestry and aims to suit the needs of both the many family forestry businesses and the larger companies.

The PEFC is based on local conditions and close cooperation with all those involved in forestry, including forest owners, trade unions and outdoor recreation enthusiasts, while complying with international regulations. In Sweden, 16,5 million hectares of forest land, around 49,000 property owners and 3,650 forest contractors are covered by PEFC certification.

### ECOVADIS

EcoVadis has awarded Rottneros Mill a Gold rating and Vallvik Mill a Silver-rating for our sustainability performance in year 2022. From a possible 100 average points, Rottneros Mill scored 68 and Vallvik Mill 64. This means we are better than or equal to 94 percent and 87 percent of all companies audited this year.

EcoVadis evaluates suppliers based on environmental, labour and human rights, business ethics and sustainable sourcing issues. The assessment is based on international standards and therefore becomes a valuable tool for us in our own sustainability work.



# Multiple units – one company

The Group's core business is the production of high quality market pulp for selected niches. Chemical sulphate pulp is produced at Vallvik Mill and mechanical pulp at Rottneros Mill. The subsidiaries Rottneros Baltic and Nykvist Skogs supply the mills with raw material from spruce and pine trees. Several functions are common to the Group, such as marketing, HR and finance.

One growth area for the Group is the development and manufacture of wet-formed fibre packaging at its subsidiary Rottneros Packaging.

# Favourable timber market and stable electricity costs thanks to hedges

Pulp wood is the dominant input for Rottneros and the balance on the timber market remained favourable in the year 2022. At the same time, the electricity market saw sharply rising and at times extremely high prices. However, costs remained stable as a result of the Group's price hedging strategy for the electricity supply through electricity futures.

## THE GROUP'S SUPPLY OF PULP WOOD

Rottneros has an effective and efficient organisation for wood procurement from sawmills and roundwood suppliers in close proximity to the respective mills. Short transport distances have become increasingly important with rising inflation and higher fuel prices. Roundwood is mainly supplied by the forest owners' association Mellanskog and the state-owned Sveaskog, with supplementation from Nykvist Skogs.

Pulp wood accounts for almost 70 percent of the Group's variable costs. The wood is traceability-certified, which ensures that the raw material does not have a controversial origin. The objective is for each mill to maintain an inventory of raw material to cover two to three weeks of production.

## FAVOURABLE PULP WOOD MARKET IN 2022

The supply of raw timber continued to be good in the year 2022. On the one hand, the bark beetle problem continued to drive the supply of timber locally near the mills. On the other hand, a continued high production rate in the sawmill industry at the beginning of the year benefited the supply of both pulpwood and wood chips. Strong demand for raw materials from the energy sector, sawmills and the pulp and paper industry drove up prices.

The share of imported raw materials decreased slightly in the year 2022 as a result of good availability in the local market. Imports took place largely via ships from Rottneros Baltic in Latvia to the port at Vallvik Mill.

At the end of the year 2022, the sawmill industry reduced production, which changed the situation in the timber market, including a shortage of wood chips. In order to meet the demand for wood chips, Rottneros therefore increased its purchasing volumes from certain small suppliers. Rottneros Mill in particular was affected.



The Group used approximately 1,4 million cubic metres of pulpwood and wood chips at a total cost of approximately 750 MSEK. Purchasing volumes are expected to decrease by about 9 percent in 2023, due to the closure of the groundwood line at Rottneros Mill.

## CHEMICALS A MAJOR COST ITEM

Chemicals account for more than 20 percent of Rottneros' variable costs. In the sulphate process, the chemicals are recycled to minimise environmental impact. The recovery rate is around 97 percent.

In the second half of 2022, the market for chemicals was affected by increased uncertainty linked to the global situation and for the full year the prices of the chemicals that the Group used in production increased. To ensure production, sustainability and competitive prices, Rottneros uses a number of major suppliers with sustainable production process.

## PRICE HEDGES KEPT ELECTRICITY COSTS STABLE

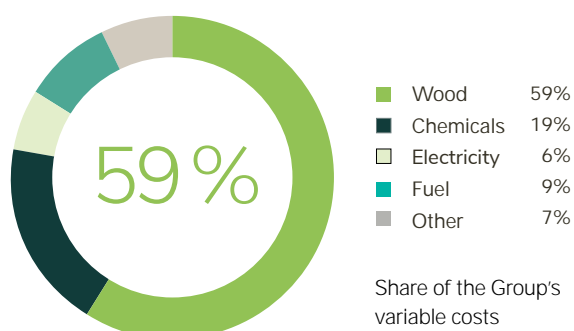
The Group's third largest variable cost item is electricity. All external electricity, about 300 GWh in year 2022, is purchased at market price directly over the Nord Pool electricity exchange.

The price of electricity in year 2022 was very high, exceptionally high at times and production was stopped during periods with peak prices. The electricity-intensive groundwood line at Rottneros Mill was also shut down during the holiday period in July. The company's electricity price hedges compensated for the negative price effects, for which reason financial performance was not significantly affected. Virtually all annual consumption was hedged in advance, at substantially lower price levels.

To achieve stable electricity costs future prices are hedged according to an adopted strategy. By the end of year 2022, Rottneros had price-hedged 100 percent of electricity consumption in 2023 and 2023 and 70 percent of electricity consumption in 2025.

The Group is actively working to reduce its long-term exposure to electricity price movements, including through the potential use of power purchase agreements (PPAs). PPAs are contracts that run for a longer period, usually 10-15 years.

## Raw materials purchased







## Nykvist Skogs: Positive price trend and growing volumes

Nykvist Skogs is an independent and comprehensive forestry company that has been part of the Rottneros Group since 2020. The Värmland-based operation helps to secure the Group's pulp wood supply, primarily from the important group of private forest owners who account for about half of forest ownership in Sweden.

Nykvist Skogs helps a total of about 1 000 forest owners, many of whom return year after year. Proximity to customers and a high level of expertise provide clear competitive advantages. For forest owners, a personalised service characterised by expertise and high flexibility is often of great importance. Customers often have other values linked to the forest besides the purely financial, such as wanting to leave behind a beautiful and viable forest.

Nykvist Skogs offers all services within forestry, harvesting, consulting and management. Timber trading accounts for about 95 percent of the company's turnover, with growing demand.

Part of the deliveries go to Rottneros Mill. In addition, they are delivered to sawmills and industries across most of Värmland, as well as to southern Sweden and Norway.

### DEVELOPMENTS IN 2022

The business developed well in 2022 with a positive price trend for timber, a large supply of harvests and growing volumes. Many forest owners were affected by bark beetle infestations and needed rapid assistance with harvesting to reduce damage to healthy forests. Nykvist Forest's organisation therefore did its utmost to help as many forest owners as possible.

# Vallvik Mill is a world leader in niches that demand high quality

Vallvik Mill produces chemical pulp of the highest quality. The mill is a global leader in filter pulp and E-pulp for electrotechnical applications. Because the production process is designed as an advanced eco cycle, the environmental impact of the mill is extremely low. Investments in year 2022 focused mainly on safety and increased availability and capacity.

## PRODUCTION FOR THE YEAR

Both bleached (ECF) and unbleached (UKP) chemical sulphate pulp are alternately produced in the same production line at Vallvik Mill. The Mill has a production capacity of about 240 000 tonnes per year with the current product mix. In the year 2022, production amounted to 225 500 tonnes, an increase of just around 1 percent compared with the previous year. The share of ECF was 111 500 tonnes and 114 000 tonnes of UKP were produced. Some temporary disruptions held back production for a few short periods, which otherwise ran as planned.

## MARKET AND PRODUCT DEVELOPMENT

Through Vallvik Mill, Rottneros is a global leader in pulp for manufacturing air and liquid filters, primarily for the automotive and food industries.

The Group is also the world leader in E-pulp, an extremely well-washed and pure chemical pulp with uniquely low conductivity. E-pulp is used for electrotechnical insulation materials,

such as condenser paper or high voltage cables placed on the seabed. Over the past two years, demand for E-pulp increased significantly, largely due to the modernisation and refurbishment of the electricity grid as part of the transition to renewable energy sources.

## HEALTH AND SAFETY

With the aim of further reducing the risk of accidents, work on preventive risk assessments continued during the year. This effort yielded results, with an increase in reporting of risk observations and a significant decrease in the number of accidents and incidents.

The environmental impact of the mill is extremely limited due to the advanced eco cycle of the production process. Almost all energy is renewable and many of the parameters for emissions in year 2022 were the lowest ever. See environmental data on pages 54-55.

## The year at Vallvik Mill



Investments during the year amounted to 59 MSEK, with a focus on capacity, availability and cost reductions.

Production for the year amounted to 225 000 tonnes, an increase of about 1 percent compared with the previous year.

225 500 tonnes

The mill's recovery cycle allows around 97 percent of the cooking chemicals at the mill to be reused and 69 percent of the electricity is self-generated.

97 %



#### PRODUCTION OF LONG FIBRE SULPHATE PULP

Spruce and pine wood from slow-growing forests in northern Scandinavia is heated in a digester together with white liquor to release the fibres and extract lignin and other substances from the wood. The pulp is then washed, sieved, bleached, purified and dried. Flash drying gives the fibres an open structure and other important properties for production of filters. The pulp is finally pressed into 200 kg pulp bales. The lignin is used as fuel and the chemicals are recycled.

#### PRODUCTS

##### ECF (ELEMENTARY CHLORINE FREE)

Bleached long-fibre sulphate pulp used for the manufacture of filters, light board products, printing and writing papers and special applications.

##### UKP (UNBLEACHED KRAFT PULP)

Unbleached long-fibre sulphate pulp is used for E-pulp. It is also ideal for the production of brown liquid packaging board, filters and for special applications.

# Rottneros Mill: pioneer in mechanical pulp

Rottneros Mill produces different varieties of mechanical pulp, where each grade has been developed to give the end application specific properties. The year was marked by the difficult electricity market. This trend, combined with structurally shrinking demand for printing paper, led to the closure of the groundwood line in December 2022.

Moving forward, the mill will focus on development and production of CTMP, where the Group is preparing major capacity-enhancing investments.

## PRODUCTION FOR THE YEAR

At Rottneros Mill, both CTMP and groundwood pulp were produced during most of the year. Following the closure of the groundwood line, the mill has a production capacity of approximately 120 000 tonnes of CTMP annually.

In 2022, the CTMP line produced 115 400 tonnes, a new annual record and an increase of about 5 percent over 2021.

The mill also produced 56 200 tonnes of groundwood pulp, for a total production of 171 600 tonnes in 2022, a decrease of 1 percent from the previous year.

## MARKET AND PRODUCT DEVELOPMENT

In August, Rottneros' Board of Directors decided to discontinue the production of groundwood pulp due to the long-term negative outlook for printing paper and reduced prospects for long-term profitability as a result of the worsening situation in the electricity

market. As a result of the decision, ultimately 35 people were made redundant when the closure of the groundwood line was completed in December.

Rottneros' CTMP pulp can be adapted to many different product variants. It is possible to optimise bulk in relation to other quality aspects and thus meet the requirements that are in demand.

CTMP is used for purposes such as the middle layer of board to provide increased bulk (thickness) and stiffness. The board market shows long-term market growth and is one of the areas in which Rottneros intends to continue to grow. The Group's explicit aim is to maintain a high level of innovation.

## INVESTMENTS

Preparations for the planned investment to expand capacity in the CTMP line were underway for much of the year, with an initial feasibility study that transitioned into a pilot project. The profitability

## The year at Rottneros Mill



After a long-term strategic analysis, the Board decided to discontinue production of groundwood pulp from December. The decision meant that 35 people were made redundant.

The planned investments for a capacity and production increase of CTMP are estimated at a total of 160-200 MSEK over the next three-year period.

During the year, work continued to strengthen the systematics of the mill's safety work and the mill received a new perimeter protection.

This year's production of CTMP amounted to 115 400 tonnes, which is a new annual record and an increase of about 5 percent compared with the previous year.

Fossil CO<sub>2</sub> emissions were reduced by 26 percent compared with 2021. More than two thirds of the energy is fossil free. Up to 95 percent of the wood can be used in the production of CTMP.



115 400 tonnes

- 26 %



prospects for CTMP are considered to be very good. The Group is therefore planning a significant increase in capacity and production over the next three-year period - from around 120 thousand tonnes to 150-170 thousand tonnes. The additional volume is mainly destined for the growing market segments of board and packaging, as well as tissue. The investment is estimated at 160-200 MSEK.

A number of activities were also carried out during the year to increase availability in the mill and ensure high reliability. Safety and the environment are generally given high priority in the design and targeting of investments.

#### ENVIRONMENT AND SAFETY

As a result of the high yield from the raw material and low consumption of chemicals, the environmental impact of the production

process is extremely low. The natural gas used in the drying process will ultimately be replaced by biogas from the mill's anaerobic digestion process. This creates the conditions for achieving the goal of fossil free production by 2030.

However, the process is electricity-intensive, with high exposure to electricity prices. The turbulent situation on the electricity market in 2022 led to exceptionally high prices at times, when production was temporarily halted. The groundwood line was also at a standstill during the holidays in July. Nevertheless, the company's electricity price hedges compensated for the negative price effects, for which reason financial performance was not significantly affected.

#### PRODUCTION OF MECHANICAL PULP

In the production of CTMP, wood chips are pretreated with chemicals at an elevated temperature. The chips then pass between rotating grinding discs to release the fibres. The pulp is then dried and packed into bales. Up to 95 percent of the wood can be used in the production of CTMP pulp.

#### PRODUCTS

**CTMP** (Chemi-Thermo-Mechanical Pulp), Bleached/unbleached. Used for board, tissue, and printing and writing papers. A specially designed CTMP gives the right properties to filters.

Until December 2022, groundwood pulp was also produced at the mill.

# Rottneros Packaging is rapidly developing with the goal of being a leader in climate-smart food packaging

Rottneros Packaging focuses on climate-smart packaging solutions, primarily for food products.

The business is in a development and construction phase with the aim of being a leading player and, together with partners, meeting strong long-term growth in demand.

Rottneros and Arctic Paper jointly own a 50/50 joint venture to build a moulded fibre tray production plant in Poland, with production scheduled to start by the end of 2023.

## PRODUCTION

Rottneros Packaging is a growing venture. Fossil-free recyclable food packaging is developed and produced here, with very high demands on properties. The production unit is located in Sunne, close to Rottneros Mill, where the CTMP pulp used to make the packaging is produced.

Growing market demand and the elimination of some bottlenecks, resulting in increased availability, allowed capacity and production output to grow compared with the previous year.

## MARKET AND PRODUCT DEVELOPMENT

In year 2022, demand for environmentally friendly and high-quality packaging continued to grow rapidly and work proceeded on developing different types of barriers to broaden the range of fossil free packaging solutions. A priority area for development is modified atmosphere packaging, which extends the shelf life of food products. Rottneros trays can withstand high heat and are excellent for frozen or chilled foods.

## FOCUS ON JOINT VENTURE IN POLAND

Packaging is in a development and construction phase with the aim of meeting strong long-term growth in demand together with partners. With Rottneros' extensive expertise in the field, the prospects of achieving a leading position in the market are considered good. The expertise also strengthens the Group's ability to tailor pulp products for external compression moulding producers.

The main focus during the year has been on the 50/50 joint venture where the Group is building a moulded fibre tray mill in Poland together with Arctic Paper. Start-up is planned for the end of 2023. Production will focus on high-barrier packaging, with extended shelf life of food, but also on packaging with simpler functional requirements.

The aim is to use the plant as a role model to demonstrate the high quality, as well as the scalable and competitive production, in addition to providing the market with fossil free packaging solutions.

## The year at Rottneros Packaging



Production capacity was fully utilised in 2022. By eliminating bottlenecks, availability increased and production output grew compared with the previous year.

The focus during the year included optimising the production equipment added in connection with the investments made in 2021.

During the year, the organisation was strengthened with a number of key recruitments as part of the preparations for a gradual scale-up.

The investment in the new plant in Poland is expected to amount to 12-15 MEUR. Capacity is estimated at 60-80 million packages, significantly more than the Sunne plant.





# 100 %

Quality assured raw material  
from fresh fibre

## MANUFACTURE OF MOULDED FIBRE TRAY

The raw material consists of 100 percent mechanical pulp from sustainable and local forestry with high purity and without the addition of harmful chemicals.

The dried pulp is transported from Rottneros Mill, dissolved and diluted. In a single process, the pulp is shaped and dewatered into a final customised product, approved for food use.

Finally, the tray can be laminated. During the process, the tray is inspected by an inline quality assurance system.

## PRODUCTS

Mechanical pulp that is moulded gains high strength and stiffness at low weight, valuable properties for food packaging.

The product portfolio ranges from fast food solutions with no major demands for functionality, to gas-tight packaging that provides a shelf life of several weeks when refrigerated. The trays are suitable for food or industrial applications, hot or cold, wet or dry. They work well for freezing and defrosting in a microwave or traditional oven.

The high precision allows efficient industrial stacking and top-sealing.

# Rottneros is a world leader in several niches

Rottneros is a specialist in the development and manufacture of market pulp for selected niches. For example, Rottneros is a globally leading supplier of pulp for the production of air and liquid filters and for E-pulp for electrotechnical applications.

The pace of change in the world around us and in customer behaviour is accelerating. We ensure growth in our current niches through consistent monitoring of the market and development of both our own and customised products. We also work diligently to identify other growing segments in which Rottneros can leverage its competitive advantages.

The market for printing and writing papers is expected to continue to shrink in line with digitalisation, and was one of the reasons for the closure of the Rottneros mill groundwood line during the year. As of December 2022, the quality for the area is no longer in the range. Instead, a new area is pulp for fibre cement.

Overall, Rottneros has long-term growth potential thanks to the availability of both chemical and mechanical pulp, a recognised high level of technical know-how, close cooperation with customers and in-depth knowledge of their processes and end-use areas.

The renewable properties of pulp make it a natural and more sustainable alternative to plastic, which is often used in the production of food packaging. Thus, packaging solutions are an important and growing part of Rottneros' offering.

## Range of applications



Board and packaging



Filters



Electrotechnical applications



Tissue paper



Fibercement



Special applications

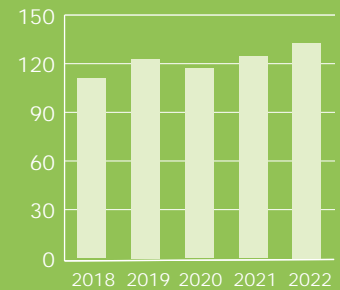


Fibre trays





Ktonnes

Rottneros' pulp deliveries  
for board and packaging

35%

of Rottneros' total  
pulp deliveries

## Board and packaging

High-quality pulp adapted for board and packaging is a clear and growing long-term market. Both mills produce competitive pulp types with attractive properties for these applications, which are therefore one of Rottneros' priority areas.

Rottneros' pulps are characterised by a high degree of purity, which means that they do not affect the taste and smell of packaged goods. They meet the high demands placed on packaging and liquid packaging board for food products, such as milk and juice packaging.

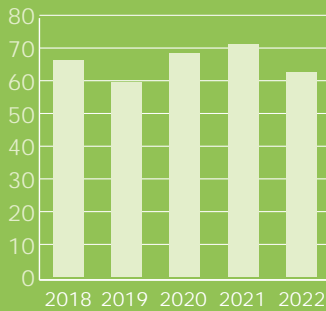
Vallvik Mill produces bleached and unbleached sulphate pulp with high strength and convertibility. The unbleached sulphate pulp is ideally suited for brown liquid packaging board. The large washing capacity of the mill allows it to produce a very pure pulp, which gives it a clear competitive advantage. At Rottneros Mill, CTMP pulp is produced optimised for the highest possible flexural rigidity, another important property for board and packaging.

### EXPANDING APPLICATION

A number of factors are driving demand for board and packaging, at the same time that there is a shortage of recycled fibre. The steady growth of e-commerce is increasing the demand for paper for packaging. Another growth area is board packaging, such as disposable packaging for food and ready-made meals. Unbleached liquid board is another expanding application. Sustainable and bio-based solutions are in demand worldwide to replace their fossil-based counterparts.



Ktonnes



Rottneros pulp deliveries for filters

16%

of Rottneros' total pulp deliveries

# Filters

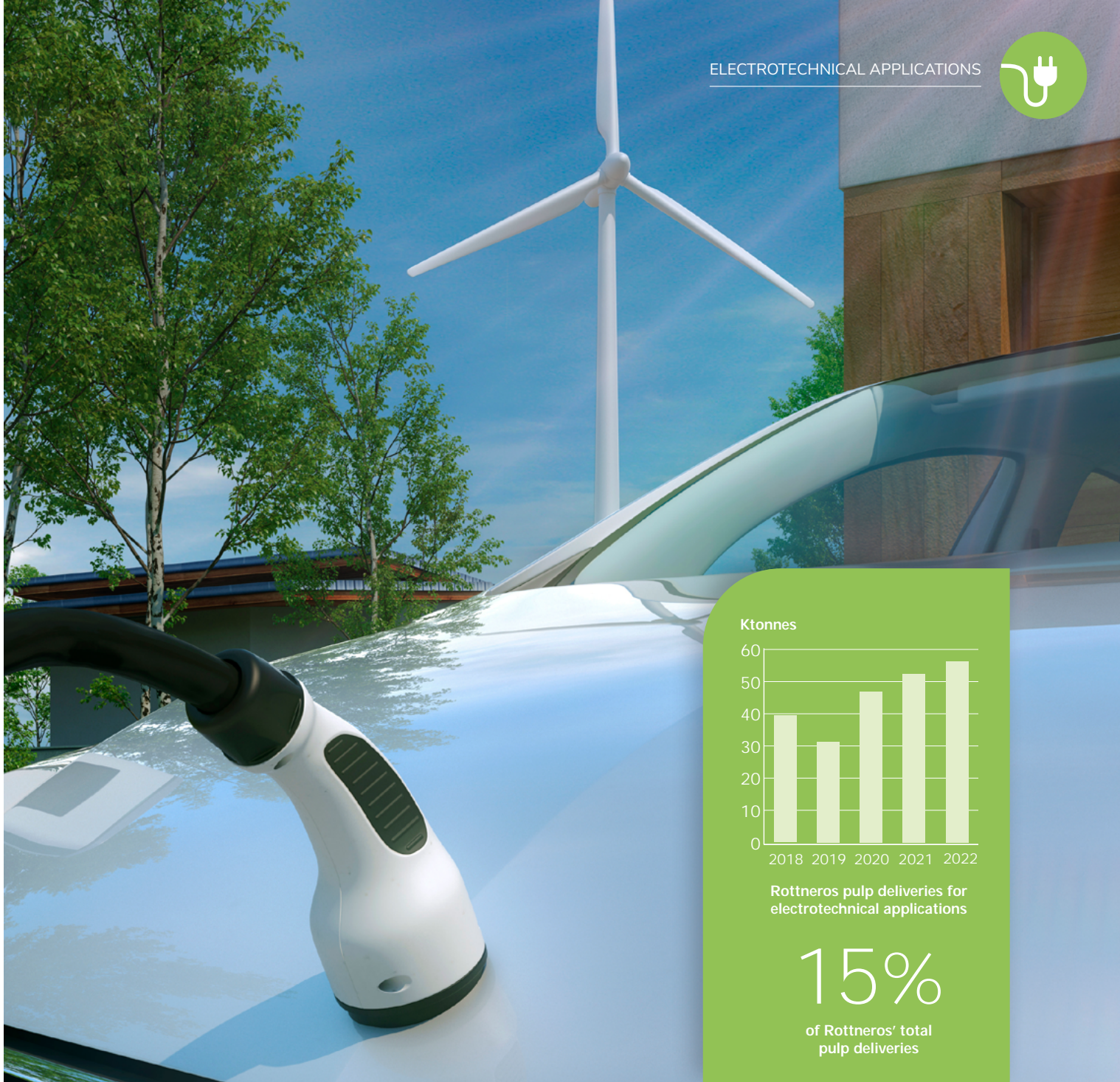
Rottneros is among the global market leaders in pulp for the production of various types of filters. Specialised pulp grades used for air and liquid filters are produced in both the Vallvik and Rottneros mills.

Several of the Group's pulp grades are characterised by high porosity and strength. This makes them ideal for air and liquid filters, both for the food and automotive industries. Rottneros' filterpulp can be combined in different variations to provide a wide range of desired properties, giving the Group a competitive advantage over other suppliers of pulp to the global automotive industry. The Group is also one of the world market leaders in coffee filter pulp. Here, the maximum purity and filtering capacity of the pulp play a crucial role for the best possible taste experience.

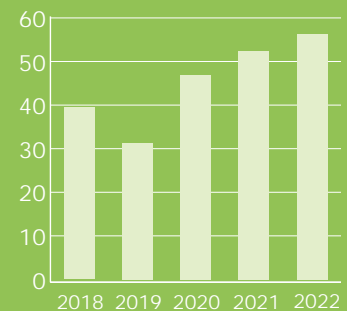
### CONTINUED GOOD DEMAND

The filtration needs of the automotive industry will extend at least another decade into the future, even if the trend is towards an increasing share of electric cars. In addition, the aftermarket will continue for up to 30 years, as fossil fuel cars regularly need new filters.

During the year, the development of our filter customers has been stable despite a changing landscape.



Ktonnes



Rottneros pulp deliveries for electrotechnical applications

15%

of Rottneros' total pulp deliveries

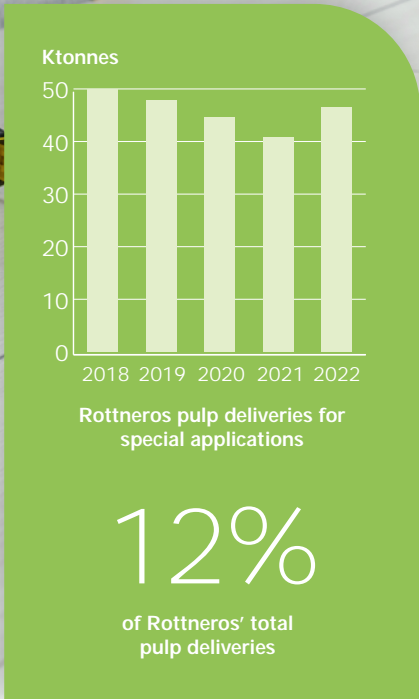
# Electrotechnical applications

Rottneros is a world leading supplier of pulp for use in electrotechnical insulation materials, transformer boards and condenser paper, often referred to as E-pulp.

Rottneros manufactures an extremely pure and well washed E-pulp that has been developed over 25 years to achieve today's uniquely low conductivity. E-pulp is available in different grades adapted for use in the most demanding insulation materials such as condenser paper, insulation in transformers and high-voltage cables on the seabed.

## NEW INFRASTRUCTURE DRIVES DEMAND FOR E-PULP

The increase in electric cars requires a new infrastructure to provide charging stations. E-pulp serves as electrotechnical insulation material, for example in charging posts. The ongoing transition to renewable energy sources also drives demand. Wind turbines are often located far from electricity users, which means that a whole new infrastructure needs to be built with new transformers. In general, this market is known for its stability and long-term customer relationships. There are only a few suppliers of E-pulp in the world.



# Special applications

Rottneros' pulps are used in a variety of special applications. We help customers to find the right combination of grades for the mix needed to achieve the required properties.

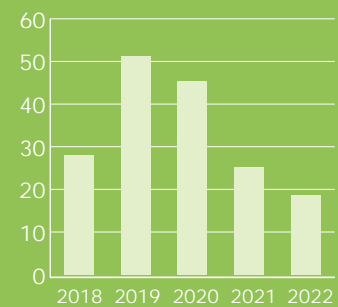
Through the availability of many different pulp grades, both mechanical and chemical, Rottneros can help customers find the right combination of grades to give them the required properties. As a result, Rottneros' pulps are used in a variety of special applications, such as jeans labels, shoe soles, wallpaper, laminate flooring, butter paper, thin specialty papers, and oil and pigment absorbent materials. Even the moulded fibre applications, which are manufactured at Rottneros Packaging, can be considered as a customised product.

## IMPACT OF NEW INNOVATIONS

The special applications segment is steadily growing in response to the high rate of innovation in fibre-based products that can replace fossil-based alternatives. The market for thin specialty papers is also gradually growing. The increase in demand is being met by manufacturers who previously produced printing and writing papers have been able to switch production to what are termed special applications.



Ktonnes

Rottneros pulp deliveries  
for tissue

5%

of Rottneros' total  
pulp deliveries

# Tissue paper

Demands on the pulp properties for tissue are often high. The fact that all pulp types produced by Rottneros can be used for the production of tissue is therefore a mark of quality.

Tissue is mainly used for napkins, paper towels and toilet paper. The most important properties are linked to how the paper feels against the skin, how well it holds together when wet, appearance, absorbency, airiness, weight, stiffness and lightness.

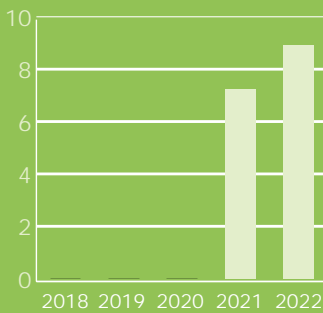
In order to obtain the desired properties and optimise for the respective purpose, several different types of pulp can be mixed.

## STEADILY EXPANDING MARKET

The market for tissue is large and relatively independent of cyclical fluctuations. Global economic growth with progressively higher living standards, especially in Asia, is driving growth.



Ktonnes



Rottneros pulp deliveries for fibre cement

2%

of Rottneros' total pulp deliveries

# Fibre cement

Rottneros' unbleached chemical pulp is ideally suited for the production of the building material fibre cement, for an environmentally friendly, sustainable and healthy product.

It often replaces materials that are harmful to health, such as asbestos.

Fibre cement is a building material made from cement, cellulose fibre and water and is used for cladding facades, roofs and interiors. Using unbleached pulp, building boards can be produced without the harmful substance asbestos. The fibres have a reinforcing function and the boards become light, strong and require minimal maintenance. In addition, they have a long life, are cost-effective, fireproof and have low sensitivity to moisture. Rottneros' unbleached sulphate pulp has high purity, the right lignin content or kappa number, which makes it very suitable for the application.

## STEADILY GROWING FIBRE CEMENT MARKET

The use of fibre cement based on cellulose fibres is steadily growing because this building material offers many attractive properties. For some years now, Rottneros has been supplying unbleached chemical pulp from Vallvik Mill for the production of fibre cement, mainly in South-East Asia.



# 100%

Free from PFAS and other harmful chemicals

## Moulded trays

Rottneros' eco-friendly fibre packaging solutions are high quality, safe, renewable, recyclable and meet high performance requirements.

Rottneros Packaging produces the moulded fibre trays using CTMP pulp from Rottneros Mill. The focus is on food packaging for cold and hot food that must meet high customer for functionality and properties. Desirable properties are mainly related to food safety, barrier properties and pulp wood traceability.

A long-term goal for Rottneros' moulded fibre trays business is to broaden the Group's revenue base.

### STRONG AND RAPIDLY GROWING DEMAND

Demand for environmentally friendly packaging is high and rapidly growing. Rottneros' fibre trays are completely free of harmful chemicals and have a superior sustainability profile compared with most of today's packaging options. Read more on page 30.



The sustainability report covers Rottneros AB and its subsidiaries for the financial year 1 January to 31 December 2022. The content is based on regularly updated analyses of key issues for stakeholders. It is reviewed by the Group's auditor and an opinion has been provided on page 103-105.





# Sustainability report

Sustainability is a crucial cornerstone at Rottneros.

How our activities can create value for our stakeholders is at the top of our agenda, and we therefore want to have an open and transparent dialogue with all those affected by our activities.

We work in six focus areas; safety, long-term profitability, diversity, customer satisfaction, fossil free production and environmental impact.

These are formulated on the basis of stakeholders' key requirements and expectations (page 17).

# After a highly successful year, we look to the future with confidence, well aware of the challenges that lie ahead

The record-breaking performance in 2022 confirms the success of the increased specialisation towards growing segments, where Rottneros can leverage its competitive advantages.

The Group's position as a sustainability-focused, financially strong and leading player in several niches thus continued to be strengthened. The fact that the company's products are a natural part of the solution to global climate problems is a key success factor for the future.

## CONSUMERS DEMAND SUSTAINABLE PRODUCTS

The ongoing hunt for plastic in society shows that the trend shifting from fossil-based to sustainable packaging solutions strengthening and has high priority. At the same time, the need for competitive packaging solutions is steadily growing. Together, these drivers contribute to the long-term growth opportunities of the pulp market. The potential is also great in several other of Rottneros' market niches.

## LONG-TERM STRATEGY CREATES EXCELLENT RESULTS

The record-breaking performance in the year 2022 acknowledges that the Group's long-term strategy, with increased specialisation towards growing segments where Rottneros can leverage its competitive advantages, is successful. The favourable pulp market and a strong USD were further key factors behind the strong increase in earnings.

## INVESTMENTS THAT CREATE VALUE

The Group's investments should always create value for the customers and shareholders as well as for the environment, both through good returns and increased sustainability. The goal of fossil free production by 2030 is an important cornerstone for targeting investments.

It is also of great importance to reduce the company's exposure to the electricity market in the short term. This can be accomplished in various ways, one of which is through very long-term purchase agreements of fossil free energy, known as PPAs. Investments to further increase energy production and strengthen the energy efficiency of our mills are another potential option for reducing our exposure to energy market volatility.

## GREAT POTENTIAL IN FOSSIL FREE PACKAGING

The fibre trays that Rottneros Packaging makes have superior environmental properties that are far better than the plastic-based products that dominate the market today. The long-term potential for fibre trays is therefore significant.

The Group's joint venture in Poland, together with Arctic Paper, represents a major step towards becoming a large-scale supplier of high-quality moulded fibre trays. Important objectives of the Polish investment are also to verify both its high product quality and its scalable and competitive production.

## BALANCE SHEET PAVES WAY FOR RECORD DIVIDEND

Balanced indebtedness is important to be able to create the best possible return with a reasonable level of risk. Rottneros' financial position must therefore be characterised by a strong equity/assets ratio for good resilience in challenging times. This target was met by a wide margin by the end of year 2022. The equity/assets ratio was 66 percent, compared with the Group's target of at least 50 percent. At the same time, the company had net cash after deduction of liabilities of 354 MSEK.

Based on the strong profit for the year 2022, the Board proposes a total dividend of 1.40 SEK per share via an ordinary dividend of 0.50 SEK and an extra dividend of 0.90 SEK. This means that 38 percent of the net profit for the year will be distributed, in line with the Group's long-term dividend policy of a 30-50 percent payout ratio.

## ELECTRICITY PRICES CREATE MAJOR CHALLENGES

The production process at Rottneros Mill is extremely electricity intensive. Therefore, the volatile electricity prices during the year and periodically exceptionally high levels were deeply problematic. However, the price increase was offset by the company's forward electricity hedges.

After an in-depth and long-term strategic analysis, the Board decided in August to discontinue the production of groundwood pulp, as the conditions for long-term sustainable profitability had significantly declined as a result of the deterioration in the electricity market and the long-term negative outlook for printing paper. The decision resulted in 35 people who were made redundant, which I sincerely regret. However, half of the redundant could be offered a pension solution. Meanwhile, the long-term profitability prospects for CTMP are considered to be very good. The Group is therefore planning a significant increase in capacity and production in the future.

In conclusion, I would like to extend a huge thank you to Group Management, the employees and my colleagues on the Board for their excellent collaboration during the year.

**Per Lundeen**  
Chairman of the Board





#### FOCUS AREA SAFETY

# A safe and secure working environment is always the top priority

Employee health and safety is always the top priority at Rottneros. The main focus is to work preventively to eliminate risks before they arise. In 2022, safety work continued with the overall goal of ensuring that no one is injured in the workplace.

#### FOCUS ON SAFETY CULTURE

Several occupational groups at Rottneros are exposed to the risk of workplace accidents. Health and safety are therefore at the top of the agenda both in daily activities and in long-term and strategic initiatives aimed at growing the company.

The aim is for safety to always be a natural part of all work activities, for all employees. In order to proactively eliminate potential risks, it is important for everyone to feel involved and take personal responsibility. Prevention is critical for achieving the zero vision for accidents leading to sick leave. Achieving this goal requires a deep culture of safety and awareness in all aspects of work, reinforced by clear leadership and structured working methods. Ensuring a safe workplace for everyone, employees and visitors alike, requires everyone to take risks seriously.



#### PREVENTIVE SAFETY EFFORTS

A safety representative always participates in the project teams of investment projects. Safety inspections are carried out in daily operations to detect and remedy any risks. Safety is always the first item on the agenda at production meetings, as at many other internal meetings. Internal training programmes include segments on safety.

All risk observations, checklists for safety rounds, incidents and accidents are reported and entered directly in the industry-wide system, PIA. The platform provides an overview so that it is possible to systematically investigate causes of ill health and accidents and proactively work to eliminate risks.



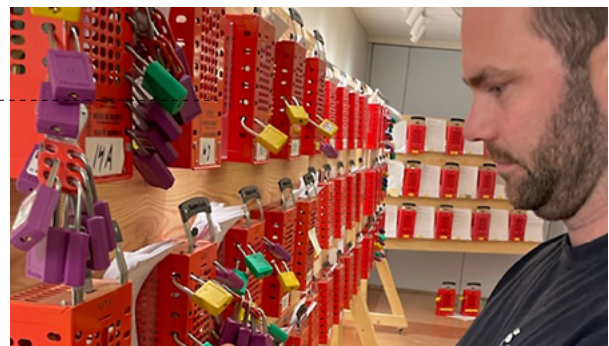
### GROUP-WIDE TRAININGS

During the year, work continued on improving skills related to the physical and psychosocial work environment, with an increased focus on a more Group-wide perspective in work environment management. Initiatives ranged from basic rules and procedures to common basic training in work environment health and safety for employees.



### IMPROVED PERIMETER PROTECTION

In 2022, work was initiated on perimeter protection around the mills. At the Rottneros Mill, the existing perimeter protection was rebuilt and improved, including a new access system integrated with Vallvik, new gates and a guardhouse at the mill entrance. Pedestrian and vehicular traffic were separated with painted lines and symbols on the asphalt, for increased safety.



### FEWER INCIDENTS AND ACCIDENTS

Incident reporting increased during the year thanks to more risk observations, while the number of incidents and accidents decreased compared with the previous year. This outcome was a consequence of the organisation's clear focus on working with preventive measures to eliminate accident risks.

### WORK TO PREVENT ILL HEALTH

Rottneros works proactively to prevent all types of ill health. For example, the Group conducts regular health exams and random alcohol and drug testing in cooperation with the occupational health centres in the municipalities where we operate. Rottneros works actively to ensure that our collaboration with occupational health services shall involve preventive care, not treatment after the fact. All employees are offered an annual wellness allowance and the Group also pays for seasonal vaccinations.

The company conducts employee satisfaction surveys on a regular basis. The results are monitored by both the department and the respective manager, and normally culminate in development and improvement activities.



### RELEVANT POLICIES AND STEERING DOCUMENTS

Our important steering documents for the safety focus area include policies for health and safety at work, alcohol and drugs, crisis management, and discriminatory treatment, as well as our code of conduct and whistleblowing service.



#### FOCUS AREA LONG-TERM PROFITABILITY

# Focus on sustainable growth, good profitability and a progressively broader revenue base

Sustainable growth, good profitability and strong finances are critical cornerstones in Rottneros' long-term development strategy. High capacity utilisation is therefore crucial for good profitability.

The Group's objective is to gradually broaden its revenue base to neighbouring areas with lower cyclical exposure and also to reduce its exposure to the electricity market, for example through long-term contracts for the purchase of wind power.

#### **FINANCES CRITICAL**

Sustained profitability combined with strong finances and balanced risk-taking is a priority area for Rottneros. Investment decisions should always be financially, environmentally and socially sustainable.

High capacity utilization, operational efficiency, focus on profitable niches through innovation and customer focus are the keys to profitable and financially sustainable development in the capital-intensive industry in which the Group operates. Long-term and close relationships with customers and suppliers are also important factors for success.

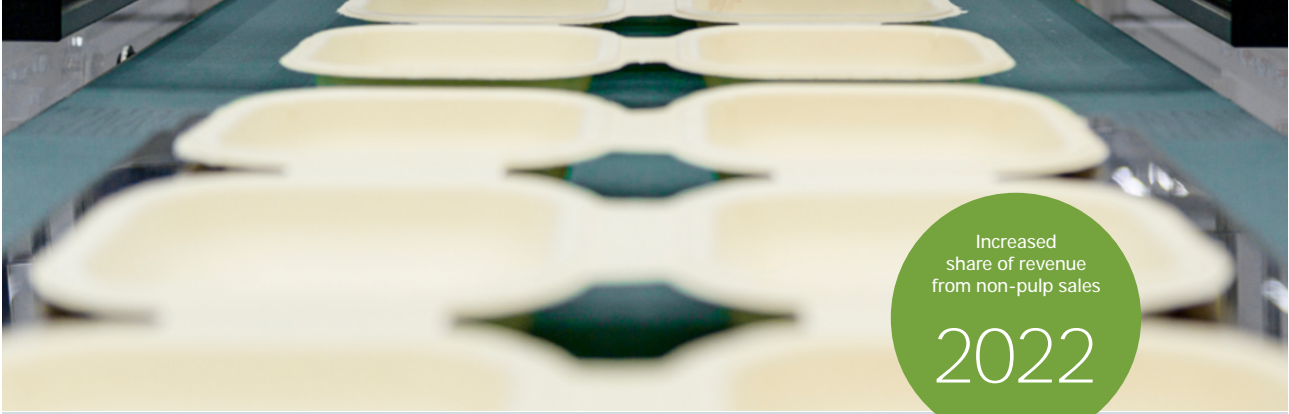
Robust financial buffers with a strong balance sheet are essential to cope with fluctuations in the

cyclical pulp market. Therefore, the Group has set a target of an equity/assets ratio above 50%, which has been exceeded by a good margin for a long time. The Group is actively working to reduce its long-term exposure to electricity price movements. This includes the potential use of power purchase agreements (PPAs). PPAs are contracts that run for a longer period, usually 10-15 years, which are often used by wind power producers. Contracts can provide a more long-term and economically advantageous price picture for the buyer.



#### **CHALLENGES, TARGETS AND METHODS**

The pulp industry is capital intensive and cyclical, with pricing mainly denominated in USD. This makes it sensitive to both general economic trends and



### GRADUAL DIVERSIFICATION OF REVENUE BASE

The fibre tray initiative at Rottneros Packaging is a key component of the strategy to broaden operations. It is being implemented through a 50/50 joint venture where the Group is building a moulded fibre tray mill in Poland together with Arctic Paper. Start-up is planned for the end of 2023. The project is on schedule and the investment is expected to be 25 MEUR. Production capacity is expected to reach 60-80 million packages, which is significantly more compared with the plant in Sunne.

### INNOVATIVE PROJECTS AND FEASIBILITY STUDIES

Rottneros is also active in several innovative projects and feasibility studies, often in collaboration with start-up companies. A common denominator is the focus on new products made from forest raw materials that replace fossil raw materials. These products include cellulose fibre for packaging, building materials, oil absorbents and biofuels. The aim is that one or more of these collaborations will eventually contribute to a broadening of Rottneros' revenue base.



### NYKVIST SKOGS SECURES RAW MATERIAL SUPPLY

Another important example of the gradual broadening the revenue base is Nykvist Skogs, which has been part of the Group since 2020. The business secures the Group's supply of raw materials, mainly from small-scale and privately owned forestry, and provides revenue streams from timber supplies and various forestry-related services.

exchange rate movements. To reduce these risks, Rottneros aims to gradually broaden its business base and increase the proportion of revenue coming from areas that are less cyclically sensitive. The target is to increase the proportion to at least 10 percent of the Group's turnover by 2023. In 2022, the share increased by two percentage points to 9 percent.

To counteract the negative impact of fixed cost inflation, including annual wage increases, on income, gradual growth in output volume and productivity is needed. Therefore, a long-term target has been set for production volume to grow by at least 3 percent annually.

### INCOME REACHED RECORD LEVELS IN 2022

In 2022, the Group continued its efforts to gradually increase availability in production through a long-term and systematic improvement initiative. At the same time, production at Rottneros Mill was affected by the at times extremely turbulent electricity market, with exceptionally high prices for longer and longer periods. Production of groundwood pulp in particular was therefore limited in the second half of the year. The company's electricity price hedges, which are used to achieve stable electricity



costs, compensated for the negative price effects, for which reason financial performance was not significantly affected. At the same time, cost control was a very high priority in order to offset the negative effects of increased cost inflation. As a result, increases in fixed costs could be limited. As a result of the strong price trend in the pulp market combined with a stronger USD, the Group's income continued to grow strongly to a new record level for the full year.

### RELEVANT POLICIES AND STEERING DOCUMENTS

Important steering documents for the long-term profitability focus area are the sustainability policy, as well as Rottneros' business concept, vision and values, including the code of conduct.

### CONTINUED STRONG BALANCE SHEET

Our equity/assets ratio at the end of 2022 was 66 percent, our cash and cash equivalents were 465 MSEK and available liquidity totalled 747 MSEK. At the same time, the Group had a net cash position (cash after deduction of interest-bearing liabilities) of 354 MSEK. In early July, the company also exercised an option to extend the maturity of its bank financing until mid-2024.



FOCUS AREA EQUALITY DIVERSITY

# Engaged employees, diversity and innovative thinking drive long-term success

Engaged employees, diversity and innovative thinking are fundamental factors for a creative working climate and thus for Rottneros' long-term development. The aim is to create a safe, inclusive and dynamic workplace that employees can feel proud of. Being an attractive employer for all is also crucial to ensuring the supply of skilled staff for the future.

## SOCIAL SUSTAINABILITY PERMEATES EVERYTHING

By putting people first, Rottneros wants to create a stimulating and engaging workplace. Social sustainability is crucial for a company that wants to be an attractive employer both today and tomorrow.

The aim is to create a safe and inclusive workplace that employees can feel proud of. Going to work should feel meaningful, everyone should know that they are needed. To succeed, it is important that Rottneros as an employer clarifies its roles and responsibilities, so that each employee understands their part in the development of the company. Closely involved leadership with an open and continuous dialogue is a high priority in this effort, especially as more and more people work remotely.

## DIVERSITY IMPORTANT FOR ACHIEVING OBJECTIVES

Social sustainability is very much about being an inclusive workplace for all. Rottneros works continuously and long-term to create a culture and a safe and stimulating working environment where everyone thrives, regardless of age, gender, sexual orientation or ethnicity. A diverse organisation has a greater chance of achieving its goals. Diversity creates a broader perspective on issues, a more dynamic and challenging working environment - and greater potential to make faster and more accurate decisions from the start.

Inclusion and diversity increase the chances of finding the right skills for each position and provide access to all workers on the market in the locations where Rottneros has its operations, which is business critical.







**NOTICE DUE TO DISCONTINUATION OF THE GROUNDWOOD LINE**

During the year, the decision was made to close the groundwood line at Rottneros Mill. Initially, 40 people received redundancy notices, but the final redundancy count was 35, including 17 who could take advantage of various pension solutions. The decommissioning involved intensive work to support the affected staff in various ways. Important areas were the provision of continuous and clear information, the possibility of a contractual pension for everyone over 60 years of age at a 75 percent compensation rate, and good and close cooperation with trade unions.



**EXIT INTERVIEWS BY EXTERNAL PARTY**

The exit interviews that take place when employees leave Rottneros are handled by a psychologist from an external organisation. The aim is to capture and identify areas for improvement within the organisation using a neutral and reliable approach. By better understanding the reasons why employees choose to leave, we can make an active effort to improve working conditions and become an even more attractive employer for everyone.



**BROAD REFERENCE TAKING FOR NEW HIRES**

When recruiting new staff and managers, references are normally taken from people belonging to one of the groups at risk of discrimination. The aim is to hire the most appropriate candidate possible and to break the pattern of vacancies often being allocated to those with established networks and contacts. This avoids systematic distortions in the selection process that create overly homogeneous groups.

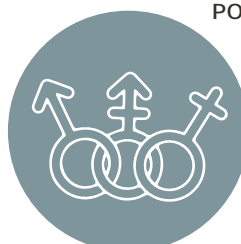
**HUMAN RIGHTS**

Rottneros complies with international human rights and labour standards. Bullying and discrimination are unacceptable in any form. Neither gender, colour, religion, sexual orientation, nor age affect the way a person is treated at Rottneros; everyone is respected equally. Naturally, we do not tolerate any form of violence, punishment, abuse, coercion, or misconduct of any kind, and we respect the right of our employees to organise, such as through trade unions.

All forms of child labour are prohibited within Rottneros and the operations of our business partners. National and international laws on minimum age are respected. Similarly, corruption and bribery are strictly forbidden: employees may not give or accept gifts, as they may find themselves in a situation that affects the business decision.

**TARGETS AND METHODS**

Flexibility is an important parameter for being an attractive employer. Rapid digitalisation in recent years entails significantly greater opportunities for Rottneros to find individual solutions with remote working, where the needs of both the individual and the business can be met.



By focusing on diversity, Rottneros can access the entire workforce in the locations where it operates. If a work group in the company is male or female dominated, an effort is made to achieve gender balance during recruitment. Of course, competency always comes first when choosing the best candidate for the job. A majority of students enrolled in the engineering programmes that are relevant for the pulp and paper industry are women. Based on this trend, the prospects are good for increasing diversity in management positions and specialist skills in the long term.

Discussions regarding bullying, discrimination, and sexual harassment are active, both within the work groups and through management of the cases that are submitted.

**POLICIES AND STEERING DOCUMENTS**

Important steering documents for the equality focus area are the policies for sustainability, health and safety, anti-discrimination, drugs and alcohol, as well as the diversity and equality plan and the code of conduct.



#### FOCUS AREA CUSTOMER SATISFACTION

# Quality and level of service to meet customer needs

By always creating added value for customers through high quality products combined with a high level of service and long-term, close customer relationships, Rottneros occupies a unique long-term position in the market.

#### STRONG AND LONG-TERM BUSINESS RELATIONSHIPS

The goal is to continuously improve the work with respect to the customer. Development work and the high level of service are key building blocks in the Group's focus on a high proportion of specialised customers with unique needs. It also creates close partnerships where Rottneros provides customised solutions to support the customer's business. This builds strong and long-term business relationships, facilitated by the company's offering in both chemical and mechanical pulp, as well as a high level of technical expertise.

Many customers are also demanding certified and traceable pulp for production of ecolabelled products. This trend is particularly true for those who manufacture consumer products. The Group's certifications ensure full compliance with the requirements, see page 22.

#### METHODS FOR MEETING CUSTOMER NEEDS

Customer surveys are carried out regularly to ensure that the processes, mainly regarding communication and technical customer service, are effective, and to address any areas of concern.

The challenges that Rottneros faces in creating added value for its customers are mainly related to the ability to meet their specific needs. Working closely with the customer is therefore of great importance. In order to get a clear picture of their needs, regular meetings are held with customers to discuss topics such as product and quality issues. Through these efforts we obtain a continually updated basis for changing and adapting the offering.

Ensuring a high level of supply reliability is another challenge. A stable production flow and consistent quality are crucial for being able to offer punctual delivery of first-class products.





Events in the market  
**2022**

#### CONTINUED HIGH SUPPLY RELIABILITY IN 2022

The market was challenging during the first half of 2022; demand for pulp was high, while access to shipping was a limiting factor. The Group's long and close customer relationships along with its agile and flexible organisation enabled Rottneros to handle the situation well, which was appreciated by customers.



#### BROADEN THE CUSTOMER BASE

In the second half of the year, the market balance swung in favour of buyers, with demand for pulp slightly lower than the supply. In response, the Group shifted its focus somewhat towards further broadening its customer base.

#### HIGH CUSTOMER SATISFACTION

The survey conducted in early 2022 showed that customers were consistently positive. Over 70 percent would recommend Rottneros to another party. The Group's high level of service, product quality and delivery reliability were prominent strengths that were highlighted. These factors were also the most important when customers themselves evaluate their pulp suppliers.

**73%**

would recommend Rottneros to another party.



# The environment is a top priority

Environmental issues are central to Rottneros and work to improve environmental performance and reduce environmental impact is ongoing every day of the year. The Group's overarching goal is to achieve completely fossil free production by 2030.

## PROACTIVITY ON ENVIRONMENTAL ISSUES CENTRAL

As a forestry company, Rottneros operates in a sector that is part of the solution to global warming. Carbon dioxide is absorbed by the forest and is thereby stored in the products that are manufactured from it. New products that replace fossil-based raw materials with bio-based counterparts thus represent great potential for both Rottneros and the industry as a whole.

A proactive approach to environmental issues is fundamental to the Group's strategy, for which reason the Board of Directors and management are provided with frequent status reports. The Group's work on potential environmental risks and related improvements is of particular interest to authorities, customers and the local community.

## USE AND TRANSPORT OF RAW MATERIAL

Rottneros contributes to sustainable forestry in several ways. Suppliers and raw materials are carefully selected. In year 2022, all suppliers were certified to the FSC® Control Wood Standard.

The company's efficient use of raw materials in production provides advantages from both an environmental and economic perspective. Rottneros Mill uses about 95 percent of the raw material. At Vallvik Mill, about 50 percent of the raw material becomes pulp, while the remainder becomes by-products or is used as a renewable source of energy generation, which is thus fossil free.

To reduce the environmental impact of transports, raw material is purchased as close to the mills as possible. Vallvik Mill buys about 50 percent and Rottneros Mill about 75 percent of pulp wood from sources within a radius of 100 kilometres. Whenever possible,

## EU taxonomy aims to achieve climate neutrality by 2050

The EU taxonomy is a framework that helps to classify environmentally sustainable economic investments. The aim is to eventually reach climate neutrality by 2050, as stated in the Paris Agreement. As a listed company, Rottneros will report according to European Sustainability Reporting Standards (ESRS) from the 2025 financial year. The ESRS provides for more comprehensive disclosures and information in companies' sustainability reports.

The EU taxonomy guidelines uses a common classification system to define what constitutes an environmentally sustainable economic investment.

### THE EU TAXONOMY HAS SIX ENVIRONMENTAL OBJECTIVES:

- Climate change mitigation
- Climate change adaptation
- Sustainable use and protection of water and marine resources
- Transition to a circular economy
- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystems

This is what is required for the company to be classified as environmentally sustainable

1

The company shall contribute significantly to at least one of the six environmental objective

+

2

The company shall not cause harm to any of the six environmental objectives

+

3

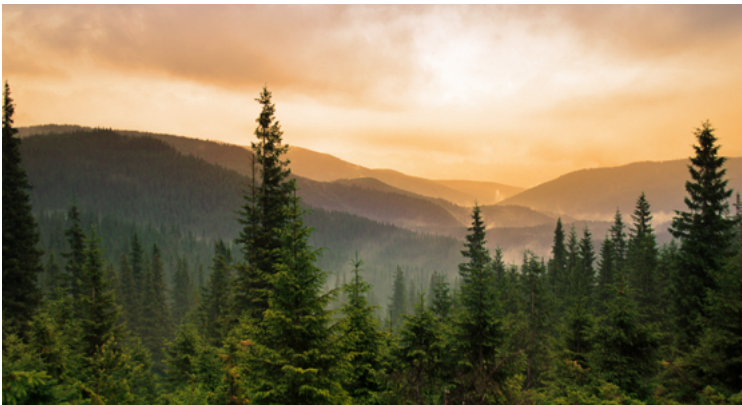
The company shall meet minimum social safeguards



Rottneros' environmental investments  
**2022**

**MINIMISED EMISSIONS TO WATER**

In 2021, a number of investments were carried out to reduce emissions to water from Vallvik Mill. The focus in 2022 was to fine-tune these initiatives and ensure that they were fully effective.



**REDUCED CO<sub>2</sub> EMISSIONS**

After the solid fuel boiler at Rottneros Mill has been fine-tuned during the year, a smaller quantity of fossil fuel was required. Fossil carbon dioxide emissions were thus reduced by 26.2 percent compared with 2021. During the year, more minor environmental investments were carried out at Rottneros Mill, related in part to the biogas tank and in part to reducing the flow to the treatment plant.

transport is coordinated both within the Group and with other companies in order to save transport distances and the environment.

**ENERGY CONSUMPTION AND ENVIRONMENTAL RISKS**

Rottneros' production processes are associated with various risks that affect the environment. Rottneros Mill has a mechanical production process where the greatest environmental risks are energy consumption and emissions to water. Energy consumption is substantial and the focus has been on reducing fossil dependence by designing more efficient equipment and by changing the product production processes.

At Vallvik Mill, where pulp is produced with chemical processes, the greatest environmental risks are posed by chemical handling and by emissions to water and air. To protect the environment and to prevent possible violations of regulations and requirements regarding emissions, the mill has a continuous sampling system with alarm functions linked to the plant's control systems. In addition, manual sampling is carried out on an ongoing basis.

Both of the Group's mills have environmental management systems and are certified according to ISO 14001. The environmental management system includes well-established routines for follow-up, taking samples and dealing with deviations. The Group also has certified energy management systems.

**RELEVANT POLICIES**

Rottneros has adopted the following defined policies with respect to the environment: sustainability, electricity trading, environment and energy policy.



**SKILLS DEVELOPMENT, COMPLIANCE CONSULTATION MEETINGS**

According to the Group's policy, all employees in relevant positions must have the necessary environmental skills. Senior environmental staff within the Group undertake continuous professional training.

Another aspect of the Group's sustainability efforts involves regular contacts with the surrounding community and the county administrative board at each production site to discuss potential desired improvements in the environment around the mills. Compliance consultation meetings are to be held with the county administrative board several times a year, to which the municipal authority will also be invited to attend.

**FOSSIL FREE PRODUCTION BY 2030**

The Group has a long-term goal to become completely fossil-free and plans for fossil-free production by 2030. One challenge that remains involves replacing the fossil fuels used for startup of production, especially at Vallvik Mill, but also to some extent for Rottneros Mill. Another remaining challenge is to ensure that purchased electricity comes from fossil-free sources. An energy strategy has been formulated to improve the long-term efficiency of energy consumption.

Eliminating indirect carbon dioxide emissions that occur outside the gates of the operation, GHG scope 3, is yet another long-term challenge for achieving a completely fossil-free Rottneros. A survey of these emissions has been initiated as part of the process of eliminating them. This aspect mainly involves transport vehicles operated by subcontractors and suppliers for deliveries both to and from the mills.

# Environmental data, emissions to water and air



## EMISSIONS TO WATER AND AIR

		Permit	2022	2021	2020	2019	2018
<b>SULPHUR</b>							
Rottneros Mill	tonnes/year	-	2,2	1,6	6	16	27
Vallvik Mill -excl. diffuse emissions	tonnes/year	80	10	17	12	17	16
Vallvik Mill - diffuse emissions	kg/tonne	0,18*	0,15	0,15	0,15	0,16	0,34
*) The permit for diffuse emissions was 0.5 kg/ton in year 2018.							
<b>NOX</b>							
Rottneros Mill	tonnes/year	-	33	36	31	28	22
Vallvik Mill	tonnes/year	420	309	341	346	362	344
<b>SUSPENDED SUBSTANCES</b>							
Rottneros Mill	tonnes/year	375	148	148	222	135	163
Vallvik Mill	tonnes/day	2,0	0,9	1,2	1,3	1,4	1,3
<b>COD</b>							
Rottneros Mill	tonnes/year	4 000	3 678	2 936	3 755	3 213	3 903
Vallviks Mill, ECF	tonnes/day	14,0	10,3	11,9	12,4	14,0	12,3
Vallviks Mill, UKP	tonnes/day	5,2	4,0	4,6	4,8	6,7	5,9
<b>BOD7</b>							
Rottneros Mill	tonnes/year	-	1 092	598	1 367	785	818
Vallvik Mill	tonnes/day	-	1,3	1,2	1,3	2,4	1,9
<b>AOX</b>							
Vallviks Mill, ECF	kg/tonnes	0,12	0,09	0,09	0,11	0,10	0,10
<b>PHOSPHORUS</b>							
Rottneros Mill	tonnes/year	2,2	0,4	0,7	1,6	0,7	1,4
Vallviks Mill, ECF	kg/day	14	9	12	15	14	12
Vallviks Mill, UKP	kg/day	26	24	27	24	24	24
<b>NITROGEN</b>							
Rottneros Mill	tonnes/year	42	23	22	25	26	29
Vallviks Mill, ECF	kg/day	110	63	83	105	113	102
Vallviks Mill, UKP	kg/day	76	43	63	62	70	74
<b>CHLORATE</b>							
Vallviks Mill, ECF	tonnes/day	0,25	0,38*	0,24	0,17	0,20	0,22

\*) The permit was exceeded due to disturbances in 2022 and that the filtrate tank was incorrectly designed. The tank will be remedied in 2023.

## PRODUCTION

		Permit	2022	2021	2020	2019	2018
Rottneros Mill	tonnes	200 000	171 580	172 900	179 900	178 400	174 000
Vallvik Mill	tonnes	255 000	225 532	222 386	232 700	227 600	219 600

# Environmental data, energy and electricity consumption, as well as carbon dioxide emissions

## ENERGY CONSUMPTION EXCL. ELECTRICITY

		2022	2021	2020	2019	2018
<b>Rottneros Mill</b>						
Biofuels	GWh	90	79	85	81	77
Fossil fuels	GWh	25	34	32	36	33
<b>Total</b>	<b>GWh</b>	<b>115</b>	<b>113</b>	<b>117</b>	<b>118</b>	<b>109</b>
Proportion of biofuels	%	78	70	73	69	71
<b>Vallvik Mill</b>						
Biofuels, incl. black liquor	GWh	1 615	1 635	1 689	1 673	1 609
Fossil fuels	GWh	14	17	21	32	27
<b>Total</b>	<b>GWh</b>	<b>1 629</b>	<b>1 652</b>	<b>1 710</b>	<b>1 705</b>	<b>1 636</b>
Proportion of biofuels	%	99	99	99	98	98
<b>Group</b>						
Biofuels, incl. black liquor	GWh	1 705	1 714	1 774	1 754	1 686
Fossil fuels	GWh	39	51	53	68	59
<b>Total</b>	<b>GWh</b>	<b>1 744</b>	<b>1 765</b>	<b>1 827</b>	<b>1 823</b>	<b>1 745</b>
Proportion of biofuels	%	98	97	97	96	97

## ELECTRICITY CONSUMPTION

		2022	2021	2020	2019	2018
<b>Rottneros Mill</b>						
Electricity purchased	GWh	254	261	267	265	271
- of this fossil-free electricity	GWh	114	124	143	171	155
<b>Vallvik Mill</b>						
Electricity generated in factory	GWh	118	134	146	138	124
- of this fossil-free electricity	GWh	117	132	144	135	122
Electricity purchased	GWh	54	39	30	36	48
- of this fossil-free electricity	GWh	24	18	16	23	28
<b>Total</b>	<b>GWh</b>	<b>172</b>	<b>173</b>	<b>176</b>	<b>174</b>	<b>172</b>
- Electricity generated in factory	%	69	78	83	79	72
<b>Group</b>						
- Electricity generated in factory	GWh	118	134	146	138	124
- of this fossil-free electricity	GWh	117	132	144	135	122
Electricity purchased	GWh	307	300	297	301	319
- of this fossil-free electricity	GWh	138	141	159	194	183
<b>Total</b>	<b>GWh</b>	<b>425</b>	<b>434</b>	<b>443</b>	<b>439</b>	<b>443</b>
- Electricity generated in factory	%	28	31	33	31	28
- of this fossil-free electricity	%	60	63	68	75	69

## CARBON DIOXIDE EMISSIONS

		2022	2021	2020	2019	2018
<b>Rottneros Mill</b>						
Fossil fuels	tonnes/year	5 113	6 927	7 299	9 989	8 941
Biofuels	tonnes/year	35 348	30 875	33 630	31 433	31 053
- proportion of biofuels	%	87	81	82	76	78
<b>Vallvik Mill</b>						
Fossil fuels	tonnes/year	3 826	4 679	5 604	8 723	7 353
Biofuels	tonnes/year	557 667	560 217	656 581	646 212	619 198
- share of biofuel	%	99	99	99	99	99
<b>Group</b>						
Fossil fuels	tonnes/year	8 939	11 606	12 903	18 712	16 294
Biofuels	tonnes/year	593 015	591 092	690 211	677 645	650 251
- share of biofuel	%	99	98	98	97	98

## FOSSIL CARBON DIOXIDE EMISSIONS, GHG scope 1

		2022	2021	2020	2019	2018
Rottneros Mill	tonnes/year	5 113	6 927	7 299	9 989	8 941
Vallvik Mill	tonnes/year	3 826	4 679	5 604	8 723	7 353
<b>Group</b>	<b>tonnes/year</b>	<b>8 939</b>	<b>11 606</b>	<b>12 903</b>	<b>18 712</b>	<b>16 294</b>

## FOSSIL CARBON DIOXIDE EMISSIONS, GHG scope 2\*

		2022	2021	2020	2019	2018
Rottneros Mill	tonnes/year	94 445	93 570	90 385	66 451	89 186
Vallvik Mill	tonnes/year	19 939	14 117	10 156	9 053	15 797
<b>Group</b>	<b>tonnes/year</b>	<b>114 383</b>	<b>107 687</b>	<b>100 540</b>	<b>75 505</b>	<b>104 983</b>

\* Based on the environmental impact (g/kWh) of the Nordic residual mix in the previous year.



# Rottneros as an investment

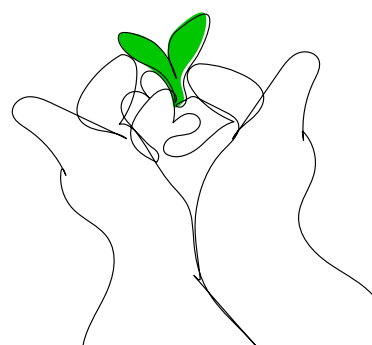
The Rottneros share has been listed on Nasdaq Stockholm since November 1987 and is classified as a company in the Basic Resources segment of the Mid Cap list. Over the past five years (2018-2022), the share price has risen by 80 percent, while the broad OMX Stockholm index has risen 41 percent over the same period. The OMX Stockholm Industrial Materials sector index, which includes the Rottneros share, has increased by 57 percent during the period.

1

## PART OF THE GREEN TRANSITION

Rottneros, together with the entire forest industry, is part of the green transition to a circular economy with solutions that have a positive impact on both the climate and the environment.

Pulp replaces fossil-based raw materials and is used to manufacture renewable products. Rottneros plans to have fossil-free production by 2030.



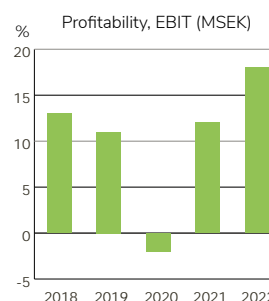
2

## LONG-TERM PROFITABILITY

Rottneros' strategy is to focus on applications where our products create added value. Increased volumes counteract cost inflation.

The focus on moulded fibre trays provides a broader revenuebase, which in the long term reduces exposure to the pulp market.

In 2022, EBIT is SEK 550 million, which corresponds to an EBIT margin of 18 percent.

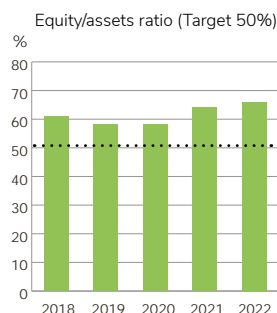


3

## STRONG FINANCES

Over time, the Group has maintained a strong equity/assets ratio and a low debt/equity ratio. The equity/assets ratio for 2022 was 66 percent thanks to the Group's good profitability and reduced debt burden.

Net cash was 354 MSEK and cash flow from operating activities amounted to 541 (288) MSEK.



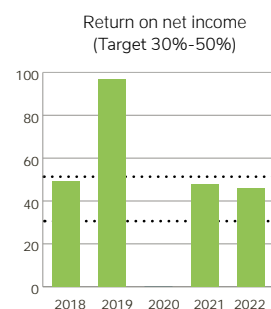


# 4

## SHAREHOLDER RETURN

Rottneros' policy is to distribute 30-50 percent of net profit to shareholders. The proposed dividend to shareholders for 2022 is 1,40 SEK/share. Total return for 2022, including increased value, is then 23 percent.

(In 2021 the dividend was relative to that combined results for the years 2019 and 2020.)



# 5

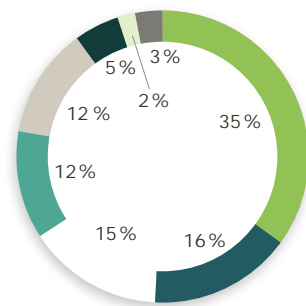
## A MARKET WITH GOOD PROSPECTS FOR LONG-TERM GROWTH

Rottneros has a strong position in the pulp market thanks to the availability of both chemical and mechanical pulp, our product quality and flexibility, as well as our excellent and longstanding customer relationships.

The pulp market is well positioned for long-term growth according to several global trends. One example is the transition from plastic to fibre-based packaging.

The potential for expansion in our selected niches is great and already today Rottneros is the world leader in E-pulp and filter pulp, and has leading expertise in the development of environmentally friendly fibre-based food trays.

Distribution between selected niches based on tonnes delivered (percentage)



- Board and packaging
- Filters
- Electrotechnical applications
- Special applications
- Writing and printing paper
- Tissue paper
- Fibre cement
- Other

This information is a general description of Rottneros as an investment and is not a recommendation to invest in Rottneros and should therefore not form the basis for an investment in Rottneros. An investment in stocks is associated with risk. When assessing Rottneros' future development, it is important to consider the risk factors associated with Rottneros and its share. All investments in equities are associated with risks of both a general and more industry or company-specific nature. An investor considering investing in Rottneros shares should read the relevant information about Rottneros carefully before making an investment. Rottneros assumes no responsibility for an investor's decision to invest in Rottneros on the basis of the information above and thus does not accept responsibility for any damage that an investor may suffer after an investment in Rottneros.

# The Rottneros share 2022

The Rottneros share is listed on Nasdaq Stockholm. Rottneros had a market value at the end of 2022 of approximately 1,973 (1,598) MSEK and its share price was 12.22 (10.42) SEK as of 31 December 2022.

The Rottneros share has been listed on Nasdaq Stockholm since November 1987. Rottneros was included in the Mid Cap segment in 2022 and classified as a company in the Basic Resources sector. Rottneros had a market value at the end of 2022 of approximately 1,973 (1,598) MSEK and the company had 13,543 (11,946) shareholders. Foreign shareholdings in Rottneros amounted to 67.3 (63.06) percent of capital.

Rottneros' share price was 12.22 (10.42) SEK as at 31 December 2022, a positive development of 17 (28) percent.

The Stockholm Stock Exchange, Nasdaq Stockholm, had a negative development of 25 (positive 35) percent in 2022, according to the OMXSPI index.

The Rottneros share peaked at a closing price of 16.34 (11.94) SEK on 21 October, while the lowest price of 9.34 (7.90) SEK was recorded on 24 February. The average price during the year was 13.40 (9.85) SEK.

## SHARE TURNOVER

A total of 48 (49) million shares were traded in 2022 at a value of 643 (491) MSEK. This represents a turnover velocity for shares of 31 (32) percent during the year. An average of 294 (212) trades in Rottneros shares were made every day.

## SHARE CAPITAL AND HOLDINGS OF TREASURY SHARES

The share capital at the end of the year was 153.4 (153.4) MSEK divided into 153,393,890 (153,393,890) shares. All shares carry equal voting rights and equal rights to the company's capital and profit. The company's holding of treasury shares remained the same as the previous year (821,965 shares), corresponding to 0.54 percent of the total number of shares.

## DIVIDEND

For the financial year 2021, a dividend totalling 0.60 SEK per share was paid, divided into an ordinary dividend of 0.40 SEK and an extraordinary dividend of 0.20 SEK. For the 2023 Annual General Meeting, the Board proposes that the regular dividend be increased to 0.50 SEK. At the same time, the strong performance allows for an extraordinary dividend of 0.90 SEK, for which reason the Board proposes a total dividend of 1.40 SEK per share for 2022.

## DIVIDEND POLICY

The dividend policy at Rottneros is to pay out 30-50 percent of net income, in accordance with the long-term financial targets.

## SHARES HELD BY THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES

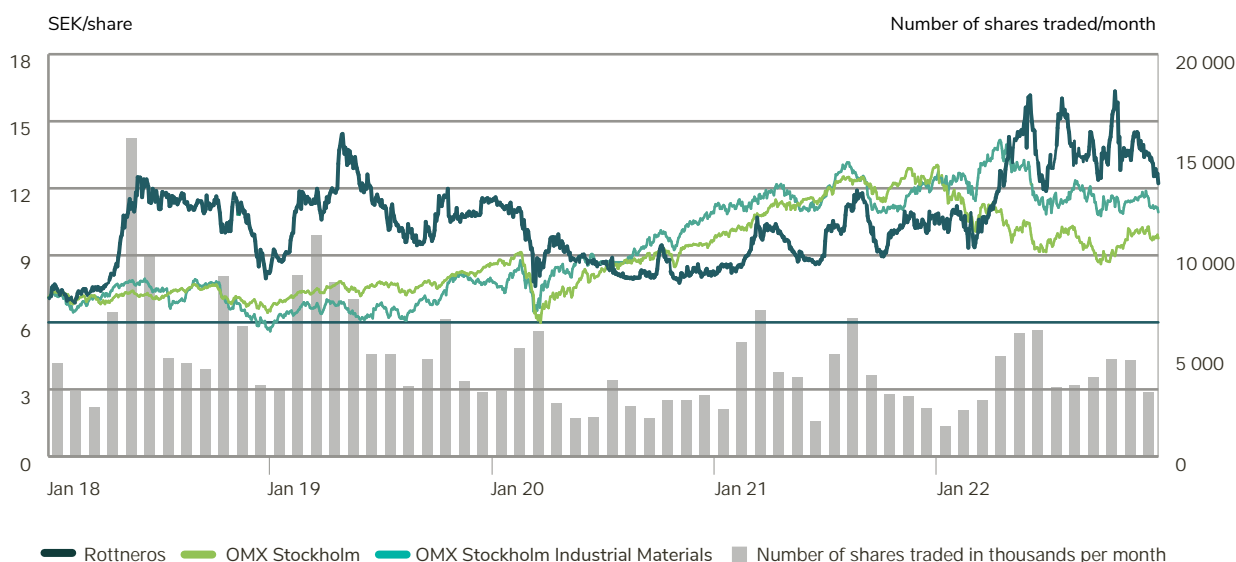
The holdings of the Board of Directors and Senior executives, as well as those of related parties, amounted to 637,050 (599,120) shares in total in Rottneros AB as of 31 December 2022. No warrants were issued as of 31 December 2022.

## INFORMATION FOR SHAREHOLDERS

Rottneros provides information for shareholders and the public through several channels. Information published in the form of annual reports, quarterly reports and press releases is regularly posted on [www.rottneros.com](http://www.rottneros.com). Presentations that were held in conjunction with the interim reports are also available. The website is the main channel for the Annual Report, for which reason the report is not sent to shareholders unless specifically requested.

## Share performance and turnover

JAN 2018 - DEC 2022



## Largest shareholders

AS OF 31 DECEMBER 2022

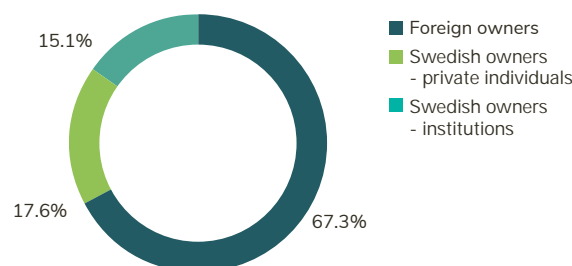
Shareholders	Number of shares (=votes)	Percent of capital
Arctic Paper S.A.	78,230,883	51.0
PROAD AB	11,565,500	7.5
UBS Switzerland AG, W8IMY	6,555,097	4.3
Caceis Bank, Switzerland Branch, W8IMY	3,900,000	2.5
Avanza Pension	2,505,499	1.6
SEB AB, Luxembourg Branch, W8IMY	2,278,400	1.5
CBNY-DFA-INT SML CAP V	1,514,066	1.0
Caceis Bank Spain SAU, W8IMY	1,155,113	0.8
BNY Mellon SA/NA (Former BNY), W8IMY	970,448	0.6
SEB Investment Management	832,565	0.5
<b>Total 10 largest shareholders by holdings</b>	<b>109,507,571</b>	<b>71.4</b>
Other shareholders	43,064,354	28.1
<b>Rottneros AB (treasury stock from buy-back)</b>	<b>821,965</b>	<b>0.5</b>
<b>TOTAL</b>	<b>153,393,890</b>	<b>100.0</b>

## Distribution of shares

AS OF 31 DECEMBER 2022

Number of shares	Number of share-holders	Percent of capital
1 - 500	8,012	0.7
501 - 1,000	1,830	1.0
1,001 - 5,000	2,588	4.1
5,001 - 10,000	567	2.9
10,001 - 15,000	149	1.2
15,001 - 20,000	79	1.0
20 001 -	318	89.2
<b>TOTAL</b>	<b>13,543</b>	<b>100</b>

DISTRIBUTION BY CATEGORY OF OWNERSHIP



## Share data<sup>1</sup>

		2022	2021	2020	2019	2018
Shares, opening <sup>2</sup>	Number	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
Average number of shares outstanding <sup>2</sup>	Number	152,572	152,572	152,572	152,572	152,572
Holdings of treasury shares <sup>2</sup>	Number	822	822	822	822	822
Earnings per share	SEK	3.70	1.28	-0.33	1.27	1.45
Cash flow after investments/share <sup>3</sup>	SEK	2.80	1.07	-0.30	2.30	-0.21
Equity per share	SEK	14.78	9.99	8.53	9.05	9.57
Dividend <sup>4</sup>						
Ordinary dividend	SEK	0.40	-	-	0.40	0.30
Extra dividend	SEK	0.20	0.45	-	1.00	0.07
Total	SEK	0.60	0.45	-	1.40	0.37
Dividend/equity per share	%	4.1	4.5	-	15.5	3.9
Share price at end of period	SEK	12.22	10.42	8.15	11.40	8.24
Market price/equity/share	times	0.8	1.0	1.0	1.3	0.9
P/E ratio per share	times	3.3	8.1	-24.7	9.0	5.7

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

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

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

<sup>4</sup> Refers to dividends paid in each year.

# Directors report

The Board of Directors and CEO of Rottneros AB (publ), corporate ID no. 5560135872, based in Sunne, hereby prepare the annual accounts and consolidated accounts for the financial year 2022.

## OPERATIONS

The Rottneros Group is an independent and flexible producer of high-quality chemical and mechanical pulp. The Group operates in the market pulp segment, where the pulp produced is sold to customers throughout the world. The majority of Rottneros' sales take place in Europe, the United States and certain Asian markets.

The Rottneros Group's principal activity takes place at two pulp mills: Vallvik Mill and Rottneros Mill. The company focuses on expanding in selected niches where the Group is among the leading manufacturers in the world, or areas where Rottneros Group's pulp has a clear competitive advantage. The Group also develops Rottneros Packaging, producing packaging trays used mainly for food.

## SUSTAINABILITY

Sustainability is a crucial cornerstone at Rottneros. How our activities can create value for our stakeholders is at the top of our agenda, and we therefore want to have an open and transparent dialogue with all those affected by our activities. We work in six focus areas; safety, long-term profitability, diversity, customer satisfaction, fossil free production and environmental impact. These are formulated on the basis of stakeholders' key requirements and expectations. Read more about Rottneros' sustainability work on pages 40-53.

## DECOMMISSIONING OF THE GROUNDWOOD LINE

In August 2022, the Board decided to close the groundwood line at Rottneros Mill. The decommissioning was largely completed in 2022, though some measures remain and will be carried out in 2023. The direct decommissioning costs amount to 67 MSEK, of which 21 MSEK will be settled in 2023. The costs to be settled in 2023 for demolition, restoration and employee benefit expenses have been recognised under the line Other current liabilities in the balance sheet, see Note 21.

With the closure of the groundwood line, there are electricity price futures that exceed future electricity consumption. The value of these futures at the end of the year was 165 MSEK and has been recognised in its entirety as financial income. A summary of the impact of decommissioning on the income statement is provided in Note 23.

## MARKET

Demand for pulp was robust in Europe and North America from January through September because of relatively limited competition from Chinese paper, as well as low supplies from South America. As a result, the list price for NBSK in Europe rose to record highs at the end of the third quarter, around 1,500 USD. In the fourth quarter, the weaker global economy caused the market to slow down. Demand for paper and board weakened, forcing

paper manufacturers to cut production. The list price for NBSK in Europe thereby fell from 1,500 USD to 1,430 USD in the fourth quarter.

The market was favourable for Rottneros in terms of both demand and prices.

## SALES AND RESULTS

### Sales

Net turnover for the Group in 2022 amounted to 2,980 (2,303) MSEK, an increase of 29 percent. Higher selling prices, a weak SEK and increased sales of products other than pulp had a positive impact on turnover.

Group production increased to 397,100 (395,300) tonnes, while sales decreased to 388,400 (403,200) tonnes. The slowdown in the global economy affected the fourth quarter with lower deliveries to customers. The average gross price of long-fibre sulphate pulp (NBSK) denominated in SEK increased by 21 percent compared with the previous year.

Turnover for 2022 also includes sales of pulp wood for 180 (118) MSEK, revenue from by-products of 96 (47) MSEK, and earnings from pulp price hedging of -58 (-17) MSEK. See also Note 1 in the Annual Report.

## SUMMARY CONSOLIDATED INCOME STATEMENT

	2022	2021
Net turnover	2,980	2,303
EBIT	550	267
Profit/loss after financial items	714	246
<b>Net income</b>	<b>565</b>	<b>198</b>

## DEVIATION ANALYSIS

MSEK	2022	2021
NBSK PIX, USD	1,404	1,198
SEK/USD	10.12	8.58
NBSK, SEK	14,213	10,280
<b>EBIT</b>	<b>550</b>	<b>267</b>

### Operating profit

The Group's EBIT for 2022 increased to 550 (267) MSEK. Higher price levels for Rottneros' products denominated in both foreign currency and SEK had a positive impact on earnings. Lower volumes and pulp price hedging had a negative impact. The higher cost level during the year had a negative impact on earnings.

## Expenses

Costs for raw materials and consumables increased by 26 percent compared with the previous year, mainly due to higher prices. A larger volume of pulp wood sold also contributed to increased purchases.

Electricity costs, which are also included in raw materials and consumables, are affected by the price of electricity on the Nord Pool electricity exchange (area SE3), which averaged 1.38 (0.67) SEK per kWh in 2022. The outcome of electricity price hedges was 300 (113) MSEK. The total cost of electricity, including electricity price hedges, was 16 MSEK higher in 2022 than in 2021.

Other external costs and personnel costs are higher than last year, mainly due to decommissioning costs for the groundwood line at Rottneros Mill, as well as higher maintenance costs. Depreciation, amortisation and impairment increased to 141 (118) MSEK and includes impairment of the groundwood line's fixed assets, as well as equipment at Rottneros Packaging. The total cost of decommissioning the groundwood line was 67 MSEK and is reported in Note 23.

No impairment was recognised in the comparative year 2021.

## Other income statement items

Financial items (net) totalled 164 (-21) MSEK for the year. With the closure of the groundwood line at Rottneros Mill, there are electricity price futures that exceed future cash flows. The value of these futures at the end of the year was 165 MSEK and has been recognised in its entirety as financial income for the year, see Notes 6 and 23.

Financial items also consist of interest income of 3 MSEK and interest expenses of 5 MSEK.

## Profit/loss after financial items

The Group's profit after financial items increased to 714 (246) MSEK.

## Income taxes

The income tax expense for 2022 was -149 (-48) MSEK and the effective tax rate was 20 (20) percent. The effective tax rate was in line with the previous year.

## Net income

The Group's net income increased to 565 (198) MSEK and earnings per share to 3.70 (1.30) SEK. The result includes decommissioning costs for the groundwood line and financial income from electricity price hedges as indicated above.

## INVESTMENTS

Group investments in non-current assets, excluding acquisitions, amounted to 112 (125) MSEK in 2022. Investments primarily relate to reinvestments to maintain the technical standard achieved through the large investments of recent years. The investments include stability, availability and operational safety in both mills, as well as investments in the environment, health and safety. At Rottneros Packaging, investments have been made to improve the production flow and increase the quality of the moulded fibre trays.

## FINANCIAL POSITION

Non-current assets amounted to 1,501 (1,339) MSEK on 31 December 2022, which is somewhat higher compared with the previous year because of a higher value for long-term unrealized electricity price hedges. Property, plant and equipment comprise 79 (91) percent of the Group's non-current assets.

Current assets, excluding cash and cash equivalents, amounted

to 1,456 (882) MSEK on 31 December 2022 and comprise 30 (37) percent inventories and 70 (63) percent accounts receivable and other current receivables. Current assets increased by 65 percent compared with the end of 2021, mainly because of higher accounts receivable and a higher value for current unrealized electricity price hedges.

Group cash and cash equivalents amounted to 465 (161) MSEK at the end of the year.

In July 2021, Rottneros entered into a loan agreement comprising a bank loan of 150 MSEK and a revolving credit facility of 100 MSEK that can be called upon if necessary. The loan terms contain customary covenants in the form of a maximum net debt to operating profit before depreciation of 3.2 and a maximum dividend of 50 percent of the previous year's net profit.

Interest-bearing net cash at the end of the year was 354 (16) MSEK. Granted but unused credits amounted to a total of 282 (282) MSEK on 31 December 2022.

The equity/assets ratio at year-end was 66 (64) percent. Equity per share amounted to 14.78 (9.99) SEK.

## CONSOLIDATED BALANCE SHEET, SUMMARY

MSEK	2022	2021
Non-current assets	1,501	1,339
Current assets	1,456	882
Cash and cash equivalents	465	161
<b>Total assets</b>	<b>3,422</b>	<b>2,382</b>
Shareholders' equity	2,256	1,527
Interest-bearing liabilities	111	145
Non-interest-bearing liabilities	1,055	710
<b>Total shareholders' equity and liabilities</b>	<b>3,422</b>	<b>2,382</b>

## CASH FLOW

Cash flow from operating activities totalled 541 (288) MSEK. The strong cash flow is due to better profitability where EBIT increased to 550 (267) MSEK, but is negatively impacted by an increase in working capital. Cash flow after investments for the year was 429 (165) MSEK. Cash flow from financing activities amounted to -125 (-334) MSEK and related to amortisation of loans and dividends. During the year shareholders were paid dividends totalling 91 (68) MSEK. Net cash flow for the year was 304 (-169) MSEK.

## CONSOLIDATED STATEMENT OF CASH FLOWS, SUMMARY

MSEK	2022	2021
Cash flow from operating activities	541	288
Cash-flow from investing activities	-112	-123
Cash flow after investments	429	165
Change, interest-bearing liabilities	-34	-266
Dividend paid	-91	-68
<b>Net cash flow</b>	<b>304</b>	<b>-169</b>

## PARENT COMPANY

The parent company's turnover for 2022 amounted to 8 (8) MSEK. The parent company's sales comprise intercompany revenue from administrative and operational management services. The parent company's profit after net financial items amounted to 439 (118) MSEK for 2022. This figure includes group contributions received/paid of 534 (162) MSEK.

**FUTURE TRENDS**

The Rottneros Group continues to pursue its core business using a structured and systematic approach, with continuous improvements in all regards. At the same time, Rottneros continues to develop new products that contribute to the fossil-free society. Demand for fibre-based trays is strong and Rottneros Packaging continues to pursue commercialisation.

**CHANGES IN MANAGEMENT**

In June, Pär Skinnargård was given increased responsibility as Timber Director in addition to CEO of Nykvist Skogs. In September, Monica Pasanen took over as CFO.

**NUMBER OF EMPLOYEES**

The average number of employees amounted to 319 (316) in 2022. The average term of employment is about 12 (13) years, and the average age of employees is approximately 47 (48) years.

**SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR**

No significant events occurred after the balance sheet date that affected the Group's financial position or results of operations.

## Proposed appropriation of profits

The Board has considered the company's financial position, cash flows and future prospects in its proposed dividend. The consolidated income statement and balance sheet will be submitted to the AGM on 27 April 2023 for adoption.

A detailed account regarding the Board's proposed dividend is available at [www.rottneros.com](http://www.rottneros.com).

For the 2022 financial year, the Board of Directors will propose to the Annual General Meeting that a dividend be paid.

**Proposed appropriation of profits:**

Retained earnings	148,093,547
Net profit for the year	346,991,935
<b>Total SEK</b>	<b>495,085,482</b>

**The Board of Directors Proposes:**

To be distributed to shareholders <sup>1,2</sup>	213,600,695
To be carried forward	281,484,787
<b>Total SEK</b>	<b>495,085,482</b>

1) After adjustment for repurchased shares in treasury.

2) Ordinary dividend of 0.50 SEK and an extraordinary dividend of 0.90 SEK totalling 1.40 SEK per share.

## Guidelines for remuneration of senior executives and Board members

**PROMOTION OF THE COMPANY'S BUSINESS STRATEGY, LONG-TERM INTERESTS AND SUSTAINABILITY**

Rottneros' overall objective is to create sustainable and long-term profitability, as well as to yield a good return for the Group's shareholders. To do so, Rottneros will offer products and services of the highest quality that create clear added value in growing niches. Rottneros is constantly working to develop new products and applications for both current and new customer groups. Employee safety, high productivity in the mills and first-class service to Rottneros' customers are top priorities.

A long-term successful and sustainable implementation of the company's business strategy presumes that the company can recruit and retain qualified employees. To this end, the company must offer competitive remuneration. These guidelines make it possible to offer senior executives a competitive remuneration package.

**REMUNERATION OF SENIOR EXECUTIVES****Types of remuneration, etc.**

Rottneros shall offer a total compensation package that is in line with market practices, which enables recruitment and retention of qualified senior executives.

Remuneration within Rottneros shall be based on the principles of performance, competitiveness and fairness. Remuneration to senior executives may consist of fixed remuneration, variable remuneration, share and share-price related incentive programmes, pension and other benefits. If local conditions justify variations in the remuneration principles, such variations may occur.

The fixed remuneration shall reflect the individual's responsibility and experience level. The fixed remuneration shall be reviewed annually.

The variable remuneration may amount to a maximum of 50 percent of the annual fixed salary for the CEO, and a maximum of 30 percent of the annual fixed salary for other senior executives. The variable cash remuneration covered by these guidelines shall aim at promoting the company's business strategy and long-term interests, including its sustainability, by being clearly linked to the business strategy, or by promoting the long-term development of the executive. Fulfilment of the criteria for awarding variable cash-based remuneration shall be measured for a period of one year. The extent to which the criteria for awarding variable cash remuneration have been met shall be evaluated/determined when the measurement period has ended. The Board of Directors is responsible for evaluating variable cash remuneration to the CEO.

For variable cash remuneration to other executives, the remuneration committee is responsible for the evaluation. For financial objectives, the evaluation shall be based on the latest financial information made public by the company.

For the CEO and other senior executives, pension benefits shall be premium defined and entitle the executives to pension from the age of 65. Variable cash remuneration is pensionable.

Other benefits may include life insurance, medical insurance and company cars. Such benefits shall not constitute a substantial part of the total remuneration.

Additional cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are limited in time and only made on an individual basis, either for the purpose of recruiting or retaining executives, or as remuneration for extraordinary work performance beyond the individual's ordinary tasks. Such cash remuneration shall be commercially justified, in proportion to the individuals fixed salary and not be paid more than once a year and per person. Resolutions on such remuneration shall be made by the Board of Directors based on a proposal from the Remuneration Committee. In addition, general meetings may, if resolved, submit an offer of long-term incentive plans such as share- or share-price-related remuneration or incentive plans. Such long-term incentive plans are to be resolved by the general meeting and are therefore excluded from these guidelines.

For employment governed by rules other than Swedish these guidelines may be duly adjusted for compliance with such mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

#### **CRITERIA FOR AWARDING VARIABLE CASH REMUNERATION, ETC.**

The variable cash remuneration and remuneration awarded under potential cash-based incentive plans shall be linked to predetermined and measurable criteria which can be financial or nonfinancial. Fulfilment of the criteria for awarding short-term variable cash-based remuneration shall be measured for a period of one year. They may also be individualised, quantitative or qualitative objectives. The criteria for short-term as well as long-term variable cash remuneration shall be designed so as to contribute to the company's business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or promote the executive's long-term development.

The extent to which the criteria for awarding variable cash remuneration have been met shall be determined when the measurement period has ended. The Remuneration Committee is responsible for the evaluation. For financial objectives, the evaluation shall be based on the latest financial information made public by the company.

The Board of Directors shall have the option, subject to the restrictions that may apply under law or contract, to in whole or in part reclaim variable remuneration paid on incorrect grounds.

#### **REMUNERATION TO BOARD MEMBERS**

Remuneration to Board members for their work in the Board of Directors of Rottneros shall be resolved upon by the general meeting. Board members are only entitled to remuneration resolved by the general meeting. However, they may receive additional remuneration for services they provide to Rottneros within their respective areas of expertise in addition to their duties as Board members. Such remuneration shall be on market terms and based in a consultancy agreement approved by the Board of Directors.

#### **EMPLOYMENT CONDITIONS**

##### **Salary and employment conditions for employees**

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the remuneration committee's and the board of directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

##### **Termination of employment**

In the event of termination by the company of the CEO's employment the notice period may not exceed eighteen months and for other members of the executive management the notice period may not exceed twelve months. When termination is made by the executive, the notice period may not exceed twelve months. When termination of the CEO's employment is made by the company, the CEO shall receive normal salary and other benefits during the notice period. In all other cases, no severance pay shall be paid.

##### **Decision-making process, amendments and deviations etc.**

###### ***The decision-making process to determine, review and implement the policy***

The Board of Directors has established a remuneration committee. The committee's tasks include preparing the Board of Directors' decision to propose guidelines for executive remuneration. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting. The Remuneration Committee shall also monitor and evaluate programs for variable remuneration for senior executives, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the company. The members of the Remuneration Committee are independent of the company and its executive management. The CEO and other members of the executive management do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

##### **Derogation from the guidelines**

In exceptional financial circumstances, the Board of Directors may impose conditions, restrict, or decline to pay the variable cash remuneration, if such a measure is deemed reasonable and a deviation is necessary to satisfy the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration related matters, which includes any resolutions to depart from the guidelines.

#### **REMUNERATION 2022**

Pay and remuneration for the company's senior executives in 2022 was compatible with the guidelines determined at the 2020 AGM. Pay and remuneration for the CEO and other senior executives in 2022 can be found in Note 7 of the annual report. Variable remuneration in 2022 has been dependent on the achievement of measurable targets, which are set annually.

# Remuneration report 2022

This report describes how the guidelines for remuneration to senior executives of Rottneros AB, adopted by the 2020 Annual General Meeting, were applied in 2022. The report also includes information on remuneration to the Chief Executive Officer and a summary of the company's outstanding share and share price-related incentive plans. The report has been prepared in accordance with the Swedish Companies Act and the Swedish Corporate Governance Board's Rules on remuneration to senior executives and on incentive plans.

Further information on remuneration of senior management can be found in Note 7 (Personnel and remuneration) on pages 94-96 of the 2022 Annual Report. Information on the work of the remuneration committee in 2022 can be found in the Corporate Governance Report on pages 72-77 of the 2022 Annual Report.

Directors' fees are not covered by this report. Such fees are resolved annually by the AGM and are disclosed in Note 7 on page 94 of the 2022 Annual Report.

## Developments in 2022

The Chief Executive Officer summarises the overall performance of the company in his statement on pages 8-9 of the 2022 Annual Report.

## The company's remuneration guidelines:

### Scope, purpose and derogations

In order to successfully implement its business strategy and safeguard its long-term interests, including its sustainability, the company must be able to recruit and retain qualified employees. To this end, the company must offer competitive remuneration. The company's remuneration guidelines make it possible to offer senior executives a competitive remuneration package. According to these guidelines, the remuneration of senior executives should be market-based and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. The variable cash remuneration shall be linked to financial or non-financial criteria. These criteria may also be personalised, quantitative, or qualitative objectives. The criteria should be designed to promote the company's business strategy and long-term interests, including its sustainability, by, for example, having a clear link to the business strategy or promoting the long-term development of the executive.

The guidelines can be found on pages 62-63 of the 2022 Annual Report. In 2022, the Company complied with the applicable remuneration guidelines adopted by the General Meeting. There have been no deviations from the guidelines and no derogations from the decision-making process that the guidelines require to determine the remuneration. The auditor's opinion on the company's compliance with the guidelines is available at <https://www.rottneros.com/investors/corporate-governance/>. No remuneration has been reclaimed.

## Total remuneration to the CEO in 2022 (KSEK)

Name of the executive (position)	1 Fixed remuneration		2 Variable remuneration		3	4	5	6
	Basic salary**	Other benefits***	Annual*	Multi-year*	Extraordinary items	Pension expenses	Total remuneration	Share of fixed and variable remuneration****
Lennart Eberleh, (CEO)	3,398	177	1,020	0	0	1,224	5,819	79/21

\* Variable remuneration paid for 2022 amounts to 1,020 and is pensionable. Rottneros has no programmes classified under multi-year variable remuneration.

\*\* Including holiday pay of 175 KSEK.

\*\*\* Car benefit.

\*\*\*\* Pension costs (column 4), which relate to basic salary (which is defined contribution) and to provisions for variable remuneration amounting to 187 KSEK, which are divided into fixed and variable remuneration (column 6).

## APPLICATION OF PERFORMANCE CRITERIA

The performance criteria for the Chief Executive Officer's variable remuneration have been chosen to realise the company's strategy and to encourage behaviour that is in the long-term interest of the company. The selection

of performance criteria has taken into account the strategic objectives and short- and long-term business priorities for 2022. The non-financial performance criteria further contribute to alignment with both sustainability and company values.

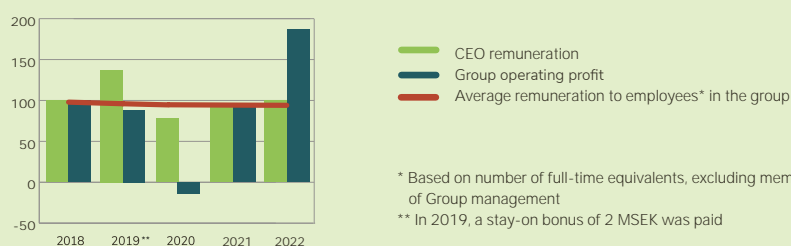
## Performance of the Chief Executive Officer during the reported financial year: variable cash remuneration

Name of the executive (position)	1 Description of criteria related to remuneration component	2 Relative weighting of performance criteria (%)	3 Measured performance (%)	4 actual allocation / remuneration outcome
Lennart Eberleh (CEO)	EBIT 2022	40	60	680 KSEK
	Production	30		340 KSEK
	Fixed costs	30		0 KSEK

## COMPARATIVE INFORMATION ON CHANGES IN REMUNERATION AND COMPANY PERFORMANCE

Changes in remuneration and company performance over the last five reported financial years.

Index: 2018 = 100



\* Based on number of full-time equivalents, excluding members of Group management

\*\* In 2019, a stay-on bonus of 2 MSEK was paid

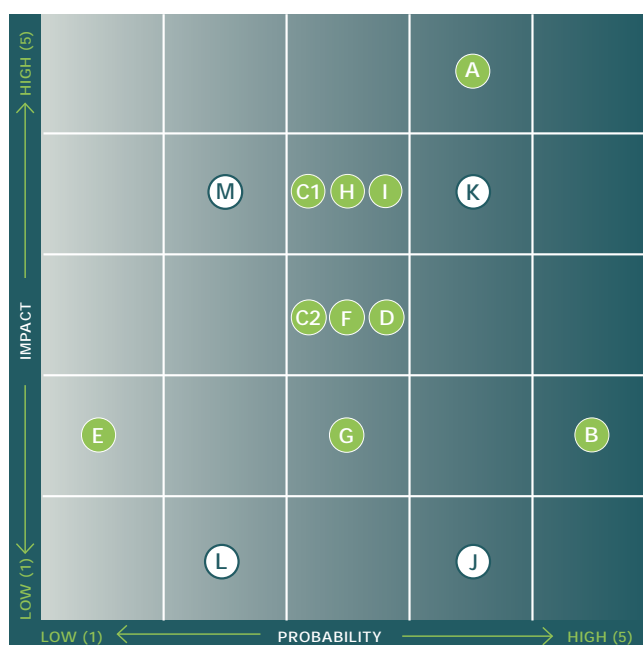


# Balance in management of financial and operational risks

Rottneros is affected by the general business cycle, currency fluctuations and other company-specific environmental factors. The most important risks that affect the Group's capacity to achieve the objectives that have been set are described in this section, as is the management of each risk.

Rottneros is working to minimise risk through preventive work or, where this is not possible, by working with different kinds of hedging and insurance. Many of the risks shown below may have both a positive and negative impact on Rottneros. Work relating to risk is managed by the Board of Directors at an overall level and by

the CEO and Group management at an operational level. The risk management process includes strategic business planning, conducting an ongoing risk inventory, preventive maintenance work and investments, as well as financial hedging activities.



## OPERATIONAL RISK AREAS

- A Variations in pulp price
- B Structural change
- C1 Access to raw material
- C2 Raw material prices
- D Electricity price
- E Customer structure and customer credit
- F Facilities
- G Political decisions
- H Sustainability and accountability
- I Environment

## FINANCIAL RISK AREAS

- J Currency – balance exposure
- K Currency – transaction exposure
- L Interest
- M Liquidity and refinancing

## SENSITIVITY ANALYSIS 2022

Type of risk	Change	Effect on profit/loss after financial items (MSEK)		Sensitivity
		2022	2021	
Pulp price	USD 50/tonne	200	170	High
USD	SEK 0.50/USD	80	65	High
Electricity prices	SEK 0.10/kWh	30	30	High
Timber prices	20 SEK/m <sup>3</sup>	30	30	High
Other variable costs	2 percentage points	10	6	Average
Interest rate risk (financing)	1 percentage point	1	1	Low
Refinancing				Low
Credit risk				Low

Sensitivity calculations for each type of risk do not take into account the fact that actual changes will also affect other items, nor do the calculations include the effect of any hedging or fixed price contracts. The sensitivity analysis is based on Rottneros' operations for 2021 and 2022.

Probability and impact are assessed on a five-point scale where 1 is lowest and 5 is highest, see matrix on page 65.

## Operational risk areas

RISK AREA	RISK MANAGEMENT
<p><b>A Variations in pulp price</b></p> <p>Pulp price risk means the risk of changes in pulp prices having a negative impact on the consolidated income statement and balance sheet.</p> <p>The pulp price is set in a global market and the price of Rottneros' products is dependent on how global demand for pulp products can be matched with the industry's production volume. Variations in pulp price are seldom related to changes in Rottneros' costs and may thus generate major fluctuations in the result.</p> <p>A high pulp price is positive for the result but may have a negative impact on potential sales volumes.</p>	<p><b>Probability: 5 Impact: 5</b></p> <p>The setting of prices in the pulp market is governed by international price levels that depend on demand and the global economy. Pulp price hedging is used when the price levels in long-term contracts are economically advantageous or when the market price is so low that further reductions may threaten the survival of the company. As a main rule, pulp prices are hedged in Swedish kronor.</p> <p>Rottneros develops product segments that involve more added value and that can substitute mass products in the long term. The objective is to reduce dependency on the list price for market pulp and thereby mitigate fluctuations in profitability over a business cycle.</p> <p><b>COMMENTS ON 2022 OUTCOMES</b> Global logistics bottlenecks continued to restrict transport options for paper and board from China for much of 2022, resulting in higher demand for pulp in Europe. As a result, prices in Europe were at record highs for part of the year. The price of pulp denominated in USD was 17 percent higher than in 2021 and 38 percent higher denominated in SEK.</p> <p>During the year, the Group hedged 18,000 tonnes at an average price of 11,027 SEK per tonne, 22 percent below the market price denominated in SEK. The realised result of these pulp price hedges was -58 MSEK. At the end of December 2022, the Group held pulp hedges of 12,000 tonnes maturing in December 2023 at an average price of 13,638 SEK per tonne.</p> <p><b>PULP PRICES NBSK IN USD AND SEK</b></p> <p>* Average quarterly gross prices of softwood sulphate pulp deliveries in Europe.</p>
<p><b>B Structural change</b></p> <p>Digitalisation, globalisation and increased trade are reducing demand for certain types of pulp and driving structural changes in the industry. Demand for writing and printing paper is weakening, while demand for tissue, board and specialty paper is strengthening. Demand for market pulp is increasing in Asia, especially in China, and stagnating or declining in mature markets such as Europe and North America.</p>	<p><b>Probability: 5 Impact: 2</b></p> <p>Rottneros has focussed on growth in product segments in which the company can add value through its knowledge and high-quality pulp, in order to manage structural change in the industry. The objective is to reduce dependency on the list price for market pulp and thereby mitigate fluctuations in profitability over a business cycle. Rottneros also has the goal of increasing sales of products other than pulp.</p> <p><b>COMMENTS ON 2022 OUTCOMES</b> Demand for pulp in Europe was robust from January through September because of relatively limited competition from Chinese paper, as well as low supplies from South America. In the fourth quarter, the weaker global economy caused the market to slow down. Demand for paper and board weakened, forcing paper manufacturers to cut back on production.</p> <p>However, the balance between pulp supply and demand remained favourable and global pulp stocks remained largely unchanged. In 2022, global market demand increased by 1.3 percent.</p> <p>In August 2022, Rottneros' Board of Directors decided to discontinue the production of groundwood pulp due to the long-term negative outlook for printing paper and reduced prospects for long-term profitability as a result of the worsening situation in the electricity market. Groundwood pulp production ended in December 2022.</p> <p>Rottneros continued to focus on prioritised and long-term growing niches during the year. Sales to priority niches accounted for 83 percent of total pulp sales. Sales of products other than pulp increased from 7 to 9 percent of total turnover.</p>
<p><b>BREAKDOWN IN % OF DELIVERIES, TONNES</b></p> <ul style="list-style-type: none"> <li>Board and packaging</li> <li>Filters</li> <li>Electrical applications</li> <li>Special applications</li> <li>Writing and printing paper</li> <li>Tissue paper</li> <li>Fibercement</li> <li>Other</li> </ul>	

RISK AREA	RISK MANAGEMENT												
<p><b>C1 Access to raw material</b></p> <p>Pulp wood supplies are crucial for a pulp producer. Rottneros does not have any forests of its own and is therefore dependent on good relationships with suppliers and an optimal flow of pulp wood to its pulp mills. Rottneros Mill has limited ability to chip roundwood itself and is therefore dependent on external chips. Deliveries and customer relations would be in jeopardy if Rottneros were to be without pulp wood.</p> <p>EU directives affect Swedish forestry and the availability of pulp wood. At the same time, competition for pulp wood is increasing as the green transition continues.</p>	<p style="text-align: right;"><b>Probability: 3 Impact: 4</b></p> <p>The Group ensures that it has a good, long-term relationship with those stakeholders in the vicinity of each mill to safeguard access to pulp wood. Rottneros normally signs agreements with major pulp wood suppliers and sawmills for periods of six to twenty-four months. To increase flexibility, the Group has two companies in Sweden and Latvia for deliveries of pulp wood and woodchips. The goal is to carry an inventory of raw materials that is sufficient to cover two to three weeks of production.</p> <p><b>COMMENTS ON 2022 OUTCOMES</b> Russia's invasion of Ukraine has affected the wood balance in northern Europe as there have been no imports from Russia, while demand for fuel wood has increased. In the second half of the year, the weaker sawmill economy led to a decrease in the inflow of woodchips. Demand has outstripped supply, leading to an imbalance in the market.</p>												
<p><b>C2 Raw material prices</b></p> <p>Price and price changes of pulp wood, chemicals and other input goods affect pulp producers. Increased prices have a negative impact on earnings and Rottneros has little opportunity to compensate for price increases on input goods.</p> <p>External factors such as the economic cycle, globalisation and supply chains affect the price.</p>	<p style="text-align: right;"><b>Probability: 3 Impact: 4</b></p> <p>The Group does not hedge against market price fluctuations, but long-term supplier agreements provide some stability to prices. Pulp wood is the largest input cost item and accounts for about 60 percent of variable costs. A price change of 20 SEK per m<sup>3</sup> affects the Group's earnings by approximately 30 MSEK on an annual basis.</p> <p><b>COMMENTS ON 2022 OUTCOMES</b> The price of most input goods rose in 2022. The price of pulp wood was affected by the imbalance described above. The price of chemicals rose sharply in line with higher electricity and fuel prices. The Group's costs for raw materials and consumables amounted to 1,415 (1,125) MSEK, corresponding to 47 (49) percent of net turnover.</p>												
<p><b>D Electricity prices</b></p> <p>Energy costs represent a substantial part of Rottneros' manufacturing costs. Increased energy prices may lead to increased production costs and have a negative impact on the Group's operating profit.</p> <p>The availability of electricity and insufficient transmission capacity can lead to power shortages in the electricity system. Rottneros Mill buys all electricity consumed and can be affected by temporary imbalances.</p> <table border="1" data-bbox="172 1570 555 1715"> <thead> <tr> <th>Year</th> <th>Proportion hedged, %</th> <th>SEK/kWh</th> </tr> </thead> <tbody> <tr> <td>2023</td> <td>100</td> <td>34.6</td> </tr> <tr> <td>2024</td> <td>100</td> <td>34.2</td> </tr> <tr> <td>2025</td> <td>70</td> <td>34.7</td> </tr> </tbody> </table> <p>The table shows the hedged proportion of forecasted consumption and the average hedged price in SEK/kWh.</p>	Year	Proportion hedged, %	SEK/kWh	2023	100	34.6	2024	100	34.2	2025	70	34.7	<p style="text-align: right;"><b>Probability: 4 Impact: 3</b></p> <p>All external electricity for the mills is purchased directly via the Nord Pool electricity exchange. Electricity prices are quoted in EUR. A price change of 0.10 SEK per kWh will affect the Group's annual profit by approximately 30 MSEK, in the absence of any electricity price hedges. Future electricity prices are hedged in advance according to a set strategy to protect Rottneros' future electricity costs against major fluctuations and achieve a predictable electricity price. The Board of Directors approves hedging levels based on proposals from senior management. The Board also approves new financial counterparties.</p> <p>The electricity market is moving towards higher long-term prices and greater volatility. To reduce exposure, Rottneros is exploring the possibility of investing in its own solar park and long-term contracts for the purchase of renewable electricity.</p> <p><b>NORD POOL ELECTRICITY PRICE (AREA SE3) IN SEK PER KWH</b></p>  <p><b>COMMENTS ON 2022 OUTCOMES</b> The average price level for electricity on the Nord Pool exchange (electricity area SE3) in 2022 was 1.38 (0.67) SEK per kWh. At the same time, the system price was 1.45 (0.63) SEK per kWh. Electricity hedges provided good protection against rising electricity prices.</p> <p>Electricity purchases were slightly higher in 2022 than in 2021. For Vallvik Mill, the loss of the electric turbine in the fourth quarter led to more purchased electricity instead of self-generated electricity. At the same time, limited production at Rottneros Mill contributed to lower consumption. The total cost of electricity was 16 MSEK higher in 2022 than in 2021.</p>
Year	Proportion hedged, %	SEK/kWh											
2023	100	34.6											
2024	100	34.2											
2025	70	34.7											

RISK AREA	RISK MANAGEMENT
<p><b>E</b> Customer structure and customer credit</p> <p>A high dependency on a small number of major customers, industries or geographical markets may have a significant impact on revenue if a major customer or industry were to have problems.</p> <p>The risk that the Group's customers will be unable to meet their payment obligations is a credit risk that could have a major negative impact if the credit is not insured or guaranteed.</p>	<p style="text-align: right;"><b>Probability: 1 Impact: 2</b></p> <p>Rottneros considers that the Group has a good diversification of commercial risk with around 200 customers, of which the ten largest together represent approximately 40 percent of turnover. A long-term structural change is underway, where the market for printing and writing papers is declining, while it is increasing for tissue paper, board and speciality applications. Rottneros' strategy is to increase the sale of pulp for profitable and growing applications.</p> <p>Geographically, the Rottneros Group is not dependent on the market in any particular country. Most of the Group's turnover is generated in Europe, where Sweden, Italy, Germany and Norway represent the largest markets.</p> <p>Credit risk is managed at a Group level. Credit risk arises through cash and cash equivalents, derivative instruments and deposits at banks and financial institutions, and through credit exposures to customers. With few exceptions, business risk relating to accounts receivable is insured through credit insurance with a ten percent excess.</p> <p><b>COMMENTS ON 2022 OUTCOMES</b> The Group has around 200 customers and historically, its credit losses have been minor. Sales to priority applications increased from 72 to 80 percent of the total volume of pulp sold. Exposure to printing and writing papers will be further reduced by the closure of the groundwood line at Rottneros Mill in December 2022.</p>
<p><b>F</b> Facilities</p> <p>Rottneros has two large production facilities that conduct continuous production. Industrial injuries, machinery breakdowns, fires and other accidents may result in extended production shutdowns, damage to the facility and delivery problems.</p>	<p style="text-align: right;"><b>Probability: 3 Impact: 3</b></p> <p>The management team conducts an annual review of the mills' maintenance needs for the coming years. This work includes identifying ongoing annual investments, investments in expansion and investments that aim to improve quality, safety and environmental performance.</p> <p>The Rottneros Group holds annual maintenance shutdowns to ensure a high and even rate of production. Maintenance shutdowns are carefully planned to minimise downtime. In addition, preventive maintenance is carried out regularly. Rottneros insures all of its facilities against property damage and business interruption and also carries relevant liability insurance.</p> <p>The insurance companies conduct annual audits of the Group's facilities and make recommendations for improvements and risk reduction.</p> <p><b>COMMENTS ON 2022 OUTCOMES</b> In 2022, maintenance shutdowns were carried out during the third quarter at Rottneros Mill and during the fourth quarter at Vallvik Mill.</p> <p>In August 2022, the Rottneros Board of Directors decided to discontinue the production of groundwood pulp at Rottneros Mill. Production continued until mid-December. Of the 171 600 tonnes of pulp produced at Rottneros Mill, 56 200 tonnes were groundwood pulp.</p> <p>Insurance is reviewed and procured annually.</p>
<p><b>G</b> Political decisions and risks</p> <p>Political decisions to change environmental legislation may have a negative impact on production at the Group's pulp mills, restrict access to pulp wood, or change various support systems such as trade with emission allowances and electricity certificates.</p> <p>Political risks are mainly linked to the political climate in other countries. Changes in domestic legislation may be imposed that affect trade, but the security situation may also raise concerns. Sanctions and embargoes targeting nations, companies, or individuals can also affect business at Rottneros.</p>	<p style="text-align: right;"><b>Probability: 4 Impact: 2</b></p> <p>Rottneros considers that there is always a risk of political decisions that raise the price or limit Rottneros' opportunities to produce pulp in some way. However, the company considers this risk to be limited. Rottneros works to constantly improve the production process and the goal is that all investments in the mills will also benefit the environment.</p> <p>The security situation in Eastern Europe has worsened. The assessment is that the impact on Rottneros will be limited in terms of sales to customers. However, Rottneros could be affected by changes in the availability of input goods and changes in prices.</p> <p>Rottneros runs its production in Sweden and sells most of its products to Sweden and the rest of Europe. These markets are stable democracies, but the political risk of rapid legislative and regulatory change has increased.</p>

RISK AREA	RISK MANAGEMENT
<p><b>H Sustainability and accountability</b></p> <p>Inadequate responsibility relating to sustainability issues could harm trust in the company and the brand, thereby having a negative impact on the company's profitability.</p> <p>To achieve sustainable profitability and value creation Rottneros must simultaneously create value for those stakeholders who are affected by the Group's operations. See also the sustainability report on pages 40–55.</p>	<p style="text-align: right;"><b>Probability: 3 Impact: 4</b></p> <p>Rottneros shall run its business responsibly with respect to the external and internal environment, society, our customers and suppliers, our shareholders and our employees. Trust in Rottneros as a responsible participant, supplier and employer strengthens our position in society and in the market, and promotes employee commitment. Rottneros communicates regularly with its stakeholders to maintain an open and positive relationship.</p> <p>Rottneros endeavours to make its products better, both from a quality and efficiency perspective, by understanding the customers' processes and product strategy. Environmental, social and economic factors are crucial to this success.</p> <p>The Group has a sustainability policy describing Rottneros' responsibility regarding shareholders, customers, suppliers, environment, society, personnel and the work environment, and human rights, as well as anti-corruption and competition law.</p> <p>The Group has a Code of Conduct describing how Rottneros and the Company's employees act in relation to the surrounding world and towards each other. The Code of Conduct defines Rottneros' social responsibility, ethical commitment and position in respect of gender equality and diversity issues, as well as the approach that Rottneros' employees should adopt on issues of principle importance.</p> <p>Employee well-being is an important part of Rottneros' success. The Group takes responsibility towards employees by promoting good health, environment and safety in the workplaces. Rottneros has a 'vision zero' approach with regard to workplace injuries leading to sick leave.</p> <p><b>COMMENTS ON 2022 OUTCOMES</b></p> <p>Rottneros continues to develop new areas of application for its products that contribute to more sustainable development in society. Rottneros Packaging produces recyclable and degradable fibre trays.</p> <p>Rottneros contributes to sustainable forestry through careful selection of suppliers and raw materials. In 2022, all suppliers were certified to the FSC® Control Wood Standard.</p> <p>In 2022, accidents leading to sick leave decreased from 13.0 to 7.4 as measured by the LTIFR. The Lost Time Injury Frequency Rate indicates the number of lost time accidents per million hours worked over a 12-month period.</p>
<p><b>I Environment</b></p> <p>Rottneros' operations have an impact on the environment.</p> <p>Extensive environmental legislation governs Rottneros' operational area, and its activities require permits that need to be renewed periodically.</p> <p>There is a risk of permits granted being exceeded, which may not only entail production restrictions or the need for investments, but also criminal penalties or the revocation of permits.</p> <p>There is also a risk of environmental legislation being amended, which may affect Rottneros' activities. No such changes are known at the current time. See also the environment section on pages 52–55.</p>	<p style="text-align: right;"><b>Probability: 3 Impact: 4</b></p> <p>Good management of environmental issues represents a fundamental and important issue for the Board of Directors and corporate management, for which reason ongoing debriefing takes place monthly, half-yearly and annually. Both of the Group's mills have environmental management systems and are certified according to ISO 14001. The environmental management system includes well-established routines for follow-up, taking samples and dealing with deviations.</p> <p>The Group has a continuous sampling system with alarm functions linked to the mills' control systems to detect and prevent any infringements of applicable provisions and requirements. Random manual samples are taken in addition to this.</p> <p>According to the Group's policy, all employees in relevant positions must have the necessary expertise in the environmental field. Senior environmental staff within the Group undertake continuous professional training. Ongoing communications take place with county administrative boards and municipal authorities. Compliance consultation meetings are to be held with the county administrative board four times a year, to which the municipal authority will also be invited to attend.</p> <p>Rottneros has a long-term target of achieving completely fossil-free production by 2030.</p> <p><b>COMMENTS ON 2022 OUTCOMES</b></p> <p>Efforts to further reduce emissions to air and water continued in 2022. In 2021, a number of investments were carried out to reduce emissions to water from Vallvik Mill. The focus in 2022 was to fine-tune these initiatives and ensure that they were fully effective.</p> <p>The solid fuel boiler at Rottneros Mill required less fuel after it was rebuilt and fine-tuned during the year. Emissions of fossil carbon dioxide (according to GHG Scope 1) for the Group decreased by 23 percent compared with 2021. During the year, more minor environmental investments were carried out at Rottneros Mill, related in part to the biogas tank and in part to reducing the flow to the treatment plant.</p> <p>Environmental data for the year are presented on pages 54–55.</p>

## Financial risk areas

Below is a description of the Rottneros Group's guidelines for managing financial risks. Financial risks and other arrangements are described in Note 6 of the Annual Report. The factors that have the greatest impact on the Group's result are associated with the price of pulp in USD, exchange rates and pulp wood and electricity prices.

Financial risk is managed at a Group level in accordance with guidelines defined in the Group's Financial Policy and approved annually by the Board of Directors. The Board of Directors makes decisions on overall

mandates and limits for restricting the Group's financial risk exposures and also makes decisions on all long-term financing. The Board of Directors approves hedging levels based on proposals from senior management. The management continually assesses whether factors such as the USD exchange rate, pulp price or electricity price present attractive opportunities for strategic hedging. Financial hedging instruments are not used speculatively, but solely to hedge transactions and costings in accordance with the approved financial policy.

RISK AREA	RISK MANAGEMENT
<p><b>J</b> Currency – Balance exposure</p> <p>Currency risk means that currency rate changes may have a negative impact on the Group's future results, cash flows and values of assets and liabilities.</p>	<p><b>Probability: 4 Impact: 1</b></p> <p>Rottneros' pulp mills and fixed assets are in Sweden and other than the currency risk related to current transactions, balance sheet exposure is very low.</p>
<p><b>K</b> Currency – Transaction exposure</p> <p>Transaction exposure is the risk of exchange rate fluctuations in export revenue and import costs having a negative impact on operating profit.</p>	<p><b>Probability: 4 Impact: 4</b></p> <p>Invoices are mainly denominated in USD, EUR and SEK. The Rottneros Group's assets and liabilities are valued in SEK. The central finance function is responsible for proactively monitoring and managing the Group's exchange rate exposure and ensuring that actual risk exposure is identified and managed.</p> <p><b>COMMENT ON 2022 OUTCOMES</b> The underlying exposure to USD is high, while the direct inflow of USD corresponds to approximately 57 percent of turnover. The inflow denominated in EUR was 33 percent, while the Group has some costs denominated in EUR, which reduces exposure. As of 31 December 2022 the Group had no currency hedges.</p> <p>A strong USD during the year contributed positively to Rottneros' results.</p>
<p><b>L</b> Interest</p> <p>Interest rate risk comprises the exposure of the Group's financial assets and financial liabilities with a variable interest rate.</p>	<p><b>Probability: 2 Impact 1</b></p> <p>In July 2021, Rottneros entered into a loan agreement comprising a bank loan of 150 MSEK with quarterly repayments. The loan runs until July 2024. Interest rate risk is mainly related to the variable interest rate of the bank loan and the return on cash and cash equivalents.</p> <p><b>COMMENTS ON 2022 OUTCOMES</b> The bank loan amounted to 101 MSEK at the end of December 2022 and has a variable interest rate. A change of one percentage point in the interest rate will affect the Group's annual profit by 1 MSEK. Cash and cash equivalents at the end of December 2022 amounted to 465 MSEK. Interest income during the year was 3 MSEK.</p>

RISK AREA	RISK MANAGEMENT
<p><b>(M) Liquidity and refinancing</b></p>	<p><b>Probability: 2 Impact 4</b></p>
<p>There is a risk that Rottneros will not have sufficient cash and cash equivalents to cover current expenses, or that the Group will not obtain credit.</p>	<p>Financing risk shall be minimised as far as possible by ensuring that the maturity of loans and other credit facilities is well diversified and evenly distributed over time. Outstanding credit facilities shall be refinanced no later than three months before they fall due. The Group's target for the liquidity reserve is to be at least 10 percent of the Group's 12-month rolling turnover and to be available within 30 days. The Group continuously produces liquidity forecasts.</p> <p>Rottneros' credit agreements are considered to be sufficient for the normal operating and investment cash flow for the next few years. Both the liquidity and refinancing risks are therefore considered to be low at this time.</p> <p>The Group shall maintain an optimal capital structure to keep capital costs down while ensuring that it is able to continue its activities.</p> <p><b>COMMENTS ON 2022 OUTCOMES</b></p> <p>In July 2021, Rottneros took out a new bank loan of 150 MSEK. The loan carries a variable interest rate of STIBOR 3m + 1.75 percent as a minimum and + 1.95 percent as a maximum. The loan was extended in 2022 and will mature in July 2024. The loan terms contain customary covenants in the form of a maximum net debt to operating profit before depreciation of 3.2 and a maximum dividend of 50 percent of the previous year's net profit. These covenants were fulfilled at the balance sheet date.</p> <p>Granted and unused credit facilities amounted to 282 MSEK at the end of the year. The Group's liquidity reserve at the end of 2022 amounted to 25 (19) percent of turnover and the target is "at least 10 percent".</p> <p>The Group's net cash at the end of 2022 was 354 (16) MSEK and the debt/equity ratio was -16 (-1) percent.</p> <p>During the year, 91 MSEK was distributed to shareholders.</p>

# Corporate governance report

Rottneros is a Swedish public limited company based in Sunne, Sweden and is listed in the Mid Cap segment on NASDAQ Stockholm ("the Stock Exchange"). Rottneros' corporate governance is based on the Swedish Companies Act, the Annual Accounts Act, the Rules of the Stock Exchange and the Swedish Code of Corporate Governance ('the Code'). This Corporate Governance Report refers to both Rottneros AB, which is the parent company, and the Group.

## PRINCIPLES FOR CORPORATE GOVERNANCE

Rottneros applies the rules prescribed by law or other enactment, as well as the Code. Rottneros applied the Code without deviations in 2022.

## STRUCTURE FOR CORPORATE GOVERNANCE

The shareholders at the AGM/general meeting make the appointments by election and lay down the guidelines which will form the basis for the corporate governance of Rottneros. The organisation chart on the next page summarises how corporate governance is organised at Rottneros.

## CONTROL INSTRUMENTS

The external control instruments that form the frameworks for corporate governance within Rottneros include the Swedish Companies Act, the Annual Accounts Act, the rules of the Stock Exchange, the Code and other relevant laws. Foreign subsidiaries apply the laws and ordinances in force in the country in question, but also ensure that the Group's guidelines for governance and control are observed.

The Board of Directors is ultimately responsible for the organisation and administration of the company's affairs. The authorities and bodies appointed by the authorities exercise supervision through reports received from the company and through regular checks conducted by the authorities.

The internal control instruments include the Articles of Association as adopted by the AGM and similarly the Rules of Procedure for the Board and the Terms of Reference for the CEO, the Board's committees and the financial reporting. In addition, there are, for example, financial and quantitative targets, budgets, reports, policies, valuations and codes of conduct. The policies resolved by the Board include the Code of Conduct, the Financial Policy, the Communication Policy, the Sustainability Policy, the Environmental and Energy Policy, the Anti-Corruption Policy, the Competition Policy, the Insider Policy and the Board's Diversity Policy. The CEO takes decisions regarding the Customer Credit Policy, crisis management instructions, IT Policy, Work Environment Policy and ethical rules for suppliers to Rottneros, which are shared with the Board. There are also other important steering documents decided by the CEO or the person appointed by the CEO.

## ANNUAL GENERAL MEETING

Rottneros' shareholders exercise their right to make decisions on the company's affairs at the AGM or, where applicable, an extraordinary general meeting. The AGM is Rottneros' highest decision-making body. The AGM decides on the Articles of Association, appoints the Board of Directors and the Chairman of the Board, elects the auditor, adopts the income statement and balance sheet and decides on the appropriation of profits and discharge from liability, decides on the Nomination Committee, guidelines for remuneration of senior executives, etc.

Rottneros' Articles of Association do not contain specific provisions on the appointment and dismissal of members of the Board of Directors or on amendments to the Articles of Association.

Each shareholder has the right to participate in the AGM, either in person or through an authorised proxy. Each shareholder has the right to raise issues to be addressed at the AGM. Notices of meetings and other information prior to AGMs/general meetings are available on the Rottneros website. Minutes, the CEO's statements, etc. from the latest meetings are also available on the website.

## SHAREHOLDERS

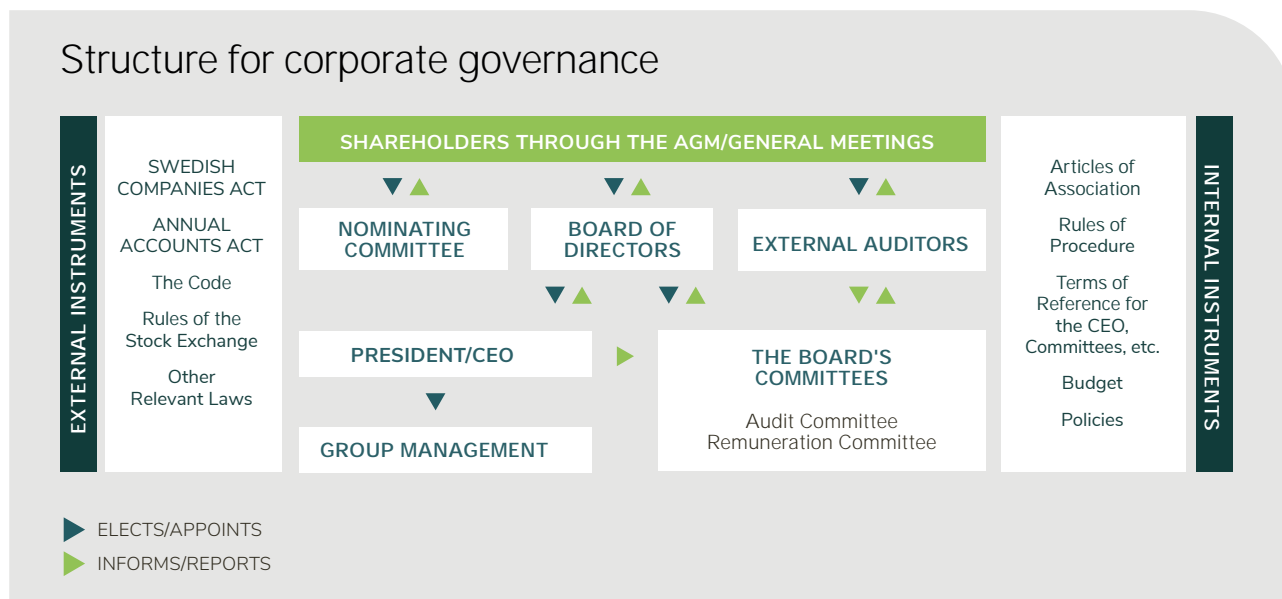
The Rottneros share has been listed on Nasdaq Stockholm since 1987. According to the share register maintained by Euroclear Sweden, Rottneros had 13,543 shareholders as of 31 December 2022. The share capital amounted to 153,393,890 SEK, divided among 153,393,890 shares, each carrying equal voting rights and equal rights to the company's profit and capital. The Articles of Association contain no restrictions on the number of votes each shareholder can cast at a general meeting.

As of 31 December 2022, Arctic Paper S.A. had an ownership state of 51.0 percent of the total number of shares and votes. Otherwise, none of the shareholders has a direct or indirect shareholding representing at least one tenth of votes attached to all shares in Rottneros.

Rottneros' holding of treasury shares amounts to 821,965, corresponding to around 0.54 percent of the total number of shares. See pages 58-59 for additional information about the share, shareholders, etc. Information is also available on the company's website.



## Structure for corporate governance



### 2022 ANNUAL GENERAL MEETING

Rottneros held its 2022 AGM on 28 April 2022 in Söderhamn. The meeting was attended by 23 of the company's shareholders representing 53.8 percent of the company's votes and capital (excluding Rottneros' treasury shares). A majority of the Board members, including Chairman of the Board Per Lundeen, as well as the CEO, were present. The company's auditor also attended the meeting. Among other things the AGM passed the following resolutions:

- The AGM resolved to discharge the Board of Directors and Chief Executive Officer from liability for the 2021 financial year.
- The AGM resolved in accordance with the Board's proposal and the auditors' approval that the funds available to the AGM be carried forward and that no dividend be paid.
- The Board shall consist of six ordinary members.
- Marie S. Arwidson, Per Lundeen, Roger Mattsson and Conny Mossberg were re-elected as members. Julia Onstad and Johanna Svanberg were elected as new members.
- Per Lundeen was re-elected to serve as Chairman of the Board.
- A fee of 600,000 SEK shall be paid to the Chairman of the Board and 300,000 SEK to each of the other members. Additionally, a fee of 20,000 SEK should be paid to each of the members of the Audit Committee and 10,000 SEK to each of the members of the Remuneration Committee. Each employee representative will be paid a fee of 30,000 SEK for the time needed to read materials prior to meetings. Auditors' fees are paid based on invoices approved by the CEO.
- The registered accounting firm KPMG AB was re-elected as the company's auditor until the end of the 2023 AGM, with Mattias Eriksson as auditor in charge.
- The AGM resolved in accordance with the Board's proposal to approve the remuneration report for the 2021 financial year.

### NOMINATING COMMITTEE

Rottneros' AGM makes decisions on the principles for the appointment of the Nominating Committee. The Nominating Committee shall comprise the Chairman of the Board and two additional members. The Chairman of the Board may not be Chairman of the Committee. One of these two members, in addition to the Chairman of the Board, must be appointed by the company's largest shareholder and the other shall be appointed by one of the company's

other four largest shareholders. Neither of these two members may be a Board member at the same time. The Nominating Committee appoints a Chairman from within its ranks. It is the responsibility of the Chairman of the Board to ensure that members are appointed as stated above. The principles also include a procedure for replacing members who leave the Nominating Committee before the end of their mandate or when a member represents a shareholder that is no longer one of the five largest shareholders.

The names of members of the Nominating Committee shall be presented no later than six months prior to the 2023 AGM. The composition of the Nominating Committee at any given time will be published on the Rottneros website. A press release with information about the composition of the Nominating Committee and how shareholders may submit suggestions to the Nominating Committee was published on 14 October 2022 and has been made available on the Rottneros website. Michal Jarczyński, appointed by Arctic Paper S.A., was appointed Chairman of the Nominating Committee. Other members were Stefan Sundh, appointed by PROAD AB, and Per Lundeen, Chairman of the Board of Rottneros AB. Together, the Nominating Committee represents approximately 58.5 percent of the votes for all shares in Rottneros.

The Nominating Committee shall submit proposals for decisions to the 2023 Annual General Meeting regarding the election of the chairman of the meeting, the number of board members and deputies, the election of the chairman and other members of the board, board fees and remuneration for committee work, the election and remuneration of auditors, and, where applicable, changes to the instructions for the Nominating Committee.

The Board has adopted a specific Diversity Policy concerning the composition of the Board of Directors. This policy is available on the Rottneros website.

### AUDITORS

Rottneros' auditors are elected at the AGM. At the 2022 AGM, KPMG AB, with Authorised Public Accountant Mattias Eriksson as auditor in charge, was re-elected as auditor for the period until the 2023 AGM. Rottneros' Articles of Association do not set down any term for the auditor. This means that auditors for Rottneros are elected annually at the AGM in accordance with the Swedish Companies Act.

## AUDIT WORK

The auditors examine the parent company's and the Group's annual accounts and accounting records and the administration of the company by the Board of Directors and the CEO.

The company's auditor attends at least one Board meeting each year. The auditors attended all meetings of the Audit Committee and the 2022 AGM. The auditor attends the AGM to present the auditor's report.

Fees to the audit firm for 2022 are shown in Note 5 of the annual report.

## BOARD OF DIRECTORS

### Composition and fees of the Board

According to the Articles of Association, the Board of Directors of Rottneros shall comprise a minimum of three and a maximum of ten members elected by the AGM. In addition, the employees elect two representatives with two deputies. Rottneros' Board of Directors consists of six members elected by the AGM without deputies, as well as two members and two deputies appointed by the employees. The CEO is not a member of the Board but is called in to all Board meetings, except when the agenda includes an evaluation of the work of the Board and the CEO. Other officials of the company are also called in when necessary to present matters. The table on page 73 shows the composition of the Board in 2022, as well as remuneration paid to Board members for 2022 and 2021, respectively. Additional information about the Board members is presented on page 104.

### Evaluation of the Board's work

The Board carries out an annual systematic evaluation in which members are given the opportunity to voice their views on working methods, Board materials, and their own and other members' contributions to the Board's work. The purpose is to improve the work of the Board and also to furnish the Nominating Committee with relevant decision guidance documentation prior to the AGM.

### Independence

According to the Code, a majority of the members elected at the AGM must be independent in relation to the company and executive management; also, at least two of these members must be independent in relation to the company's major shareholders.

Rottneros' Board of Directors is considered to have met the requirements of the Code regarding independence, since two of the Board members elected at the AGM are considered independent of both the company and executive management and of the company's major shareholders. In 2022, all of the directors elected by the AGM have been independent in relation to the company and its management.

### Board work and responsibilities

The Board of Directors oversees the work of the CEO and is responsible for ensuring that the organisation, management and guidelines for managing the company's funds are appropriate. The Board is also responsible for ensuring that the company is organised in such a way that its internal control is appropriate, that appropriate systems are monitoring the business and its risks, and that the company is in compliance with laws, rules and internal guidelines. Moreover, the Board is responsible for developing and monitoring the company's strategies through plans and objectives, decisions on acquisitions and divestments of activities, major investments, appointments of and remuneration for the management team as well as day-to-day monitoring during the year. The Board approves the budget and annual accounts.

## Rules of Procedure for the Board

The work of the Board of Directors follows specific Rules of Procedure prescribing the distribution of responsibilities between the Board and the CEO, between the Board's various committees and within the Board, as well as instructions for financial reporting. The Board's Rules of Procedure contain special Terms of Reference for the CEO.

A statutory Board meeting is held immediately after the AGM or immediately after extraordinary general meetings where a new Board has been elected.

Rottneros held a statutory Board meeting on 28 April 2022 where among other things members of the Board committees were appointed and the above-mentioned Rules of Procedure were adopted.

In addition to the statutory meeting, the Board convenes eight scheduled meetings each year and additional meetings when the Chairman sees fit or within 14 days following a request for a meeting from a member of the Board or the CEO. Twelve Board meetings were held in 2022.

The work of the Board follows a schedule established in advance, which includes specific fixed items that require decisions during the financial year:

- The year-end report, the Board's recommendations with respect to dividends and any necessary additions to the budget and business plan are dealt with in January/February. The Board also evaluates its work arrangements and procedures for making decisions and considers improvements to these.
- The public annual report is dealt with in March.
- The company's auditors report any observations made when conducting their audit. Remuneration issues are also dealt with.
- Quarterly results are addressed in April, July and October.
- Investment plans for the coming financial year and a review of the Group's strategies are dealt with in June.
- Preparations for the annual accounts and approval of the business plan for the coming year are dealt with in December.

The Board also receives a monthly report on the company's performance and liquidity trends. Other business is dealt with as determined by the nature of each individual matter.

## FINANCIAL POLICY ISSUES

The Board of Directors has the ultimate responsibility for the Group's financial activities. The Board is responsible for approving the Group's Financial Policy, which is to be updated annually. The Board makes decisions on comprehensive mandates and limits for restricting financial risk-taking by the Group in accordance with the Financial Policy, and also makes decisions about long-term financing. The Board approves hedging levels based on proposals from the executive management.

The Board has delegated the operational responsibility in line with the allocation of responsibility indicated by the Financial Policy laid down.

## THE BOARD'S CONTROL OF FINANCIAL REPORTING

The Board of Directors monitors the quality of financial reporting by providing instructions for its execution and through the Terms of Reference for the CEO. One of the tasks of the CEO is to work with the CFO to review and ensure the quality of all external financial reporting, including year-end reports, interim reports, annual reports, press releases with economic content and presentation materials for meetings with the media, shareholders and financial institutions.

The Board's Audit Committee works to ensure that financial reporting is accurate and maintains a high quality, and also that it is given final approval by the Board and communicated. The Board

## Composition of the Board and attendance 2022

Amounts in TSEK		Dependence	Total fees, 2022/23 <sup>4</sup>	Total fees, 2021/22 <sup>4</sup>	Attendance 2022	
					Board meetings, %	Committee meetings, %
Per Lundeen <sup>1</sup>	Chairman	X	600	580	100	100
Marie S. Arwidson			320	295	100	100
Ulf Carlson <sup>2</sup>			100	305	100	100
Roger Mattsson <sup>1</sup>		X	320	295	100	100
Conny Mossberg <sup>1</sup>		X	310	285	100	100
Julia Onstad <sup>1,3</sup>		X	310	-		100
Johanna Svanberg <sup>3</sup>			320	-		100
Mika Palmu	Employee representative			30	92	-
Jerry Sohlberg	Employee representative			30	100	-
Jörgen Wasberg	Employee representative/ deputy			30	100	-
Jimmy Thunander	Employee representative/ deputy			30	100	-

1) Dependent in relation to the company's largest shareholder, Arctic Paper S.A.

2) Board member until 28 April 2022

3) Board member from 28 April 2022

4) Including fees for committee work

receives monthly financial reports, and the financial position of the company and the Group is addressed at each Board meeting.

The Board also reviews interim reports and the Annual Report.

In order to ensure that the Board receives the information it needs, the company's auditors report to the Board every year on observations made during the audit and express an opinion on the company's internal control, in addition to reporting to the Audit Committee. The company's auditors report to the Board at least once a year on whether the company has succeeded in ensuring that bookkeeping, administration and financial control are effective, after which the Board discusses this with the auditors without the presence of the CEO or other members of management.

### THE BOARD'S COMMITTEES

The Board of Directors has full knowledge of and responsibility for all matters on which it must make decisions. Work was conducted by two of the committees appointed by the Board during the year: the Audit Committee and the Remuneration Committee.

#### Audit Committee

This Committee comprises at least three representatives of the Board of Directors. Its tasks include:

- Preparatory work for decisions to be made by the Board to assure the quality of the company's financial reporting.
- Monitoring and providing recommendations and proposals to ensure the accuracy of the reporting concerning e.g. the efficiency of the company's internal controls and risk management.

- Assisting the Nominating Committee when procuring audit services and arranging for the election and payment of the auditors.
- Reviewing the scope and focus of audit assignments.
- Addressing audit issues and evaluating audit work.
- Establishing guidelines for the purchasing of permitted services other than auditing from the company's auditors, and if appropriate approving such services according to guidelines.
- Following up and assessing the application of current accounting principles and adopting new accounting principles, and other accounting requirements as stipulated in legislation, generally accepted accounting principles, applicable Stock Exchange rules, etc.

The company's auditor in charge and representatives of the accounting firm are co-opted for most of the meetings. Senior executives are also co-opted for meetings when appropriate. Since the 2022 AGM the Committee has consisted of Board members Marie S. Arwidson, Per Lundeen, Roger Mattsson and Johanna Svanberg. Marie S. Arwidson is Chairwoman of the Committee.

The Audit Committee held five meetings in 2022 and the Board receives regular reports from the meetings. The auditors attended all of the meetings of the Audit Committee.

## REMUNERATION COMMITTEE

This Committee shall comprise at least two representatives of the Board of Directors. The main tasks of the Committee are to prepare the Board's decisions on issues concerning principles for remuneration, remuneration and other terms of employment for the executive management; monitor and evaluate programmes for variable remuneration for the executive management, both ongoing and those that have ended during the year; and monitor and evaluate the application of the guidelines for remuneration for senior executives that the AGM is legally obliged to establish, as well as current remuneration structures and levels at the company.

The CEO's remuneration package and the principles for remunerating the executive management are determined by the Board. Remuneration for other senior executives is determined by the Remuneration Committee within frameworks established by the Board and AGM.

Since the 2022 AGM, the Remuneration Committee has consisted of Per Lundeen, Conny Mossberg and Julia Onstad. Per Lundeen is Chairman of the Committee.

The Committee held three meetings in 2022 and the Board was informed about the work carried out by the Remuneration Committee.

## CEO/ PRESIDENT

The CEO's responsibility as stipulated by the rules of the Swedish Companies Act and other legislation is to manage the company's day-to-day business according to the Board's guidelines and instructions and to take the measures necessary to ensure that the company's bookkeeping is managed in a satisfactory manner.

The CEO also ensures that the Board receives the information it needs on an ongoing basis to monitor the company's and the Groups' financial situation, position and development in a satisfactory way and to otherwise fulfil its reporting obligations with respect to the company's finances.

The company's CEO manages the business within the frameworks established by the Board in the special Terms of Reference for the CEO. These Terms of Reference include the CEO's responsibility for day-to-day business and matters that always require Board decisions or that must be reported to the Board, as well as the CEO's responsibility for presenting financial reports to the Board.

The CEO works with the Chairman to produce the materials required for information and decisions prior to Board meetings, presents matters and justifies proposed decisions.

The Board evaluates the work of the CEO on an ongoing basis.

## GROUP MANAGEMENT

The CEO leads the work of Group management and makes decisions in consultation with other members of the management team. In 2022, this consisted of the CEO and seven other people: an operations officer, a site manager, the CFO and four chiefs of staff. Information about the CEO and Group management is shown on page 106 of the 2022 Annual Report. Group management has regular operational reviews led by the CEO.

## FURTHER INFORMATION IS AVAILABLE AT WWW.ROTTNEROS.COM

- Articles of Association
- Information from previous AGMs (notices, minutes, resolutions, CEO statements)
- Information about the Nominating Committee
- Corporate governance reports from 2011 to 2022 (included in the Annual Report for the respective year)

## ROTTNEROS' SYSTEM FOR INTERNAL CONTROL AND RISK MANAGEMENT IN CONJUNCTION WITH THE FINANCIAL REPORTING

The Board of Directors is responsible for internal control in accordance with the Swedish Companies Act and the Code. According to the Swedish Annual Accounts Act, the Corporate Governance Report shall include information about the most important elements of the company's system for internal control and risk management in conjunction with financial reporting.

Rottneros' internal control structure is predominantly based on the COSO model, according to which reviews and assessments are made in the following areas: control environment, information and communication, risk assessment, control activities and follow-up.

### Control environment

The Board of Directors has drawn up a number of steering documents for the company's internal control and governance, including Rules of Procedure for the Board and Terms of Reference for the CEO and the Board's committees, reporting instructions and a Financial Policy, with the aim of ensuring a clear definition of roles and responsibilities. Financial information is reported through a Group-wide reporting system.

The CEO and Group management, who report to the Board in accordance with established procedures, are responsible for maintaining an effective control environment and the day-to-day internal control and risk management work. Managers at various levels within the company have the same responsibility within their respective areas of responsibility and in turn report to Group management.

### Information and communication

The information in Rottneros' important steering documents, including policies, guidelines and manuals, is primarily communicated through a Group-wide intranet.

### Risk assessment

Rottneros continuously updates its risk analysis with respect to assessing the risks that may result in errors in the financial reporting. This is done mainly through contacts between Group management and the subsidiaries' management teams. At risk reviews, Rottneros identifies areas where there is an increased risk of errors occurring.

### Control activities

Monthly financial reports are prepared for all of the companies within the Group together with consolidated financial reports. These form the basis of the monthly meetings at each subsidiary, where the CEO and CFO hold a review session with the respective company's management. A specific analysis is conducted of production, order status, cost follow-up, investments and cash flow. The CFO is also in regular contact with the subsidiaries. In addition, regularly scheduled Finance meetings are held at which the CFO, financial manager of each subsidiary, the Group Controller and other controllers meet. At these meetings, particular emphasis is placed on following up any problems and ensuring the accuracy of financial reporting. Forecasts are updated every four months for all Group companies.

Through the Audit Committee, the Board of Directors monitors the reliability of the financial reporting, evaluates recommendations for improvement and discusses issues relating to the identified risks. The Audit Committee presents regular oral reports to the Board and makes recommendations on matters

## Summary of the Board's work in 2022

### DECEMBER

- Preparation of annual accounts
- Investment framework
- Budget
- Evaluation of the Board's work
- Evaluation of the CEO's work

### OCTOBER

- Q3 interim report
- Audit report (internal controls, early warnings)
- Evaluation of the need for an internal audit function

### AUGUST

- Policy document

### JULY

- Q2 interim report
- Audit report

### JUNE

- Investments
- Strategy

### JANUARY

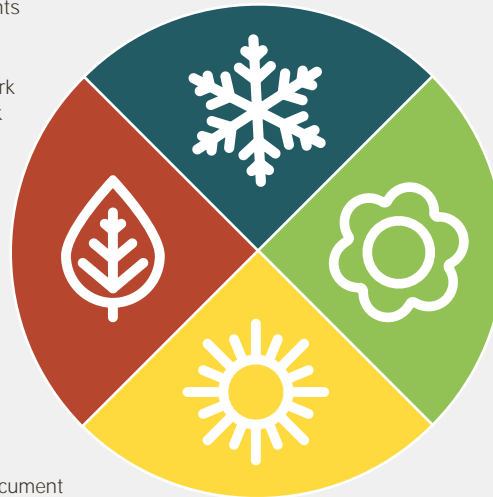
- Year-end report
- Audit report
- Dividend
- Evaluation of the audit

### MARCH

- Annual report
- Compensation issues
- Preparation for the Annual General Meeting

### APRIL

- Q1 interim report
- Annual General Meeting
- Statutory meeting
- Rules of Procedure
- Monitoring of investments



that require a decision from the Board. The control environment has been created through shared values, corporate culture, rules and policies, communication and follow-up, as well as the way in which the business is organised. The main tasks of Group staff are to implement, further develop and maintain the Group's control procedures and also to introduce internal control routines aimed at business-critical issues.

Rottneros' auditors examine the financial information for the half year and the annual accounts. Every year the auditors also examine a sample of controls and processes and report any areas for improvement to both Group management and also the management team for each subsidiary. The auditor in charge also attends most meetings of the Audit Committee. Rottneros' Group-wide finance functions are represented locally at each company and report via a Group-wide reporting system. The finance function has regular meetings and a close cooperation in matters concerning the annual accounts and reporting.

### INTERNAL AUDIT FUNCTION

Rottneros has not had any reason to establish an internal audit function to date. The Board of Directors is of the opinion that the business does not need such a function.

Instructions are available and an ongoing evaluation is conducted to ensure that officers at the organisation have the competence and support resources required to perform their work concerning the production of financial reports.

### WHISTLE BLOWER SERVICE

Rottneros strives to maintain an open business climate and a high standard of business ethics. The whistleblower service is an "early warning system" and important for safeguarding good corporate governance, eliminating risks and ensuring that customers and the public continue to trust the Group.

The whistleblower service can be used anonymously to provide information about something that the person believes could seriously affect the organisation or someone's life or health. The service can also be contacted in cases of failure to comply with values and ethical principles. To ensure anonymity, the service is provided by an external party, through which the individual who reported the matter may also receive feedback. The channel is encrypted and password protected; all messages are treated with confidentiality.

The CFO and the HR Officer have been appointed by the President to serve as "Case Managers" for incoming cases. The cases are addressed without delay and reported to the President, or to the Chairman of the Board if the President is involved in the case. The number of incoming cases is reported to the Audit Committee on a quarterly basis. If the need arises and the privacy of all parties can be ensured, reporting can be more detailed.



A close-up photograph of a pine branch. The branch is covered in vibrant, bright green needles that are densely packed. Several young, developing pine cones are visible, showing a lighter, yellowish-green hue. The background is a soft, out-of-focus green, suggesting a larger tree or forest setting. The lighting is bright and natural, highlighting the texture of the needles and the structure of the cones.

# Financial reporting

# Consolidated statements of income

## CONSOLIDATED INCOME STATEMENT 1 JANUARY - 31 DECEMBER

Amounts in MSEK	Note	2022	2021
NET TURNOVER	1, 2	2,980	2,303
Change in finished goods inventories		88	-29
Other operating income	3	44	29
<b>Operating income, total</b>		<b>3,112</b>	<b>2,303</b>
Raw materials and consumables	4	-1,415	-1,125
Other external costs	5	-649	-509
Employee benefit expenses	7	-357	-284
Other operating expenses	3	0	0
<b>EBITDA (operating profit/loss before depreciation/amortisation and impairment)</b>		<b>691</b>	<b>385</b>
Depreciation/amortisation and impairment losses	10, 11	-141	-118
<b>EBIT (operating profit/loss)</b>		<b>550</b>	<b>267</b>
Financial income	8	169	1
Financial expenses	8	-5	-22
<b>Total financial items</b>		<b>164</b>	<b>-21</b>
<b>PROFIT/LOSS AFTER FINANCIAL ITEMS</b>		<b>714</b>	<b>246</b>
Tax on profit for the year	9	-149	-48
<b>NET INCOME</b>		<b>565</b>	<b>198</b>
Average number of shares outstanding (thousands) <sup>1)</sup>		152,572	152,572
<b>EARNINGS PER SHARE (SEK)<sup>1)</sup></b>		<b>3.70</b>	<b>1.30</b>

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 1 JANUARY - 31 DECEMBER

Amounts in MSEK	Note	2022	2021
<b>NET INCOME</b>		<b>565</b>	<b>198</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that have been or may be transferred to profit or loss for the period</b>			
Changes in value of cash flow hedges	18	319	121
Income tax effect on changes in value	18	-66	-25
Translation differences		0	0
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>		<b>253</b>	<b>96</b>
<b>COMPREHENSIVE INCOME<sup>2)</sup></b>		<b>818</b>	<b>294</b>

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



# Consolidated balance sheet

## GROUP ASSETS AS AT 31 DECEMBER

Amounts in MSEK	Note	2022	2021
<b>Non-current assets</b>			
Intangible assets	10	21	25
Property, plant and equipment	11	1,190	1,213
Derivatives	6	228	42
Other financial assets	12	62	59
<b>Total non-current assets</b>		<b>1,501</b>	<b>1,339</b>
<b>Current assets</b>			
Inventories	14	436	327
Accounts receivable	15	451	322
Derivatives	6	451	139
Other current receivables	16	118	94
Cash and cash equivalents	17	465	161
<b>Total current assets</b>		<b>1,921</b>	<b>1,043</b>
<b>TOTAL ASSETS</b>		<b>3,422</b>	<b>2,382</b>

## CONSOLIDATED SHAREHOLDERS' EQUITY AND LIABILITIES, 31 DECEMBER

Amounts in MSEK	Note	2022	2021
<b>Shareholders' equity</b>			
Share capital		153	153
Other injected capital		730	730
Treasury shares		-69	-69
Other reserves		360	105
Retained earnings, incl. net income for the year		1,082	608
<b>Total shareholders' equity</b>		<b>2,256</b>	<b>1,527</b>
<b>Long-term liabilities</b>			
Interest-bearing liabilities	19	111	145
Deferred tax liability	9	268	153
Other non-interest-bearing liabilities		57	54
<b>Total non-current liabilities</b>		<b>436</b>	<b>352</b>
<b>Current liabilities</b>			
Accounts payable	20	284	220
Derivatives	6	0	8
Current tax liability	9	75	6
Other non-interest-bearing liabilities	21	371	269
<b>Total current liabilities</b>		<b>730</b>	<b>503</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>3,422</b>	<b>2,382</b>

# Consolidated statement of changes in shareholders' equity

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY 2022

Amounts in MSEK	Share capital	Other injected capital	Treasury shares	Other reserves		Retained earnings, incl. net income for the year	TOTAL SHAREHOLDERS' EQUITY
				Hedging reserve	Translation difference		
Opening balance, 1 January 2022	153	730	-69	114	-9	608	1,527
<b>Comprehensive income</b>							
Net income	-	-	-	-	-	565	565
<b>Other comprehensive income</b>							
Cash flow hedging, profit/loss after tax	-	-	-	253 <sup>1</sup>	-	-	253
Exchange rate differences	-	-	-	-	2	-	2
<b>Total other comprehensive income</b>	-	-	-	<b>253</b>	<b>2</b>	-	<b>255</b>
<b>Total comprehensive income</b>	-	-	-	<b>253</b>	<b>2</b>	<b>565</b>	<b>820</b>
<b>Transactions with shareholders</b>							
Dividends to shareholders	-	-	-	-	-	-91	-91
Closing balance, 31 December 2022	153	730	-69	367	-7	1,082	2,256

1) Changes in the hedging reserve in equity are explained in Note 18 on page 100.

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY 2021

Amounts in MSEK	Share capital	Other injected capital	Treasury shares	Other reserves		Retained earnings, incl. net income for the year	TOTAL SHAREHOLDERS' EQUITY
				Hedging reserve	Translation difference		
Opening balance, 1 January 2021	153	730	-69	18	-9	478	1,301
<b>Comprehensive income</b>							
Net income	-	-	-	-	-	198	198
<b>Other comprehensive income</b>							
Cash flow hedging, profit/loss after tax	-	-	-	96 <sup>1</sup>	-	-	96
Exchange rate differences	-	-	-	-	-	-	-
<b>Total other comprehensive income</b>	-	-	-	<b>96</b>	-	-	<b>96</b>
<b>Total comprehensive income</b>	-	-	-	<b>96</b>	-	<b>198</b>	<b>294</b>
<b>Transactions with shareholders</b>							
Dividends to shareholders	-	-	-	-	-	-68	-68
Closing balance, 31 December 2021	153	730	-69	114	-9	608	1,527

1) Changes in the hedging reserve in equity are explained in Note 18 on page 100.

# Consolidated statements of cash flows

## CONSOLIDATED STATEMENTS OF CASH FLOWS 1 JANUARY - 31 DECEMBER

Amounts in MSEK	Note	2022	2021
<b>EBIT</b>		<b>550</b>	<b>267</b>
<b>Adjustment for items not included in cash flow</b>			
Depreciation/amortisation and impairment losses	10, 11	141	118
Other items not affecting cash flow		0	0
<b>EBIT adjusted for items not affecting cash flow</b>		<b>691</b>	<b>385</b>
Financial items received		3	1
Financial items paid		-5	-22
Received/paid taxes		-32	-42
<b>Cash flow from operating activities before changes in working capital</b>		<b>657</b>	<b>322</b>
<b>Change in working capital</b>			
Change in inventories		-109	28
Change in current receivables		-167	-187
Change in current liabilities (non-interest-bearing)		160	125
<b>Total changes in working capital</b>		<b>-116</b>	<b>-34</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>541</b>	<b>288</b>
Investments in intangible assets	10	-	-
Investments in property, plant and equipment	11	-112	-125
Property, plant and equipment sold	11	-	2
Acquired subsidiary	10	-	-
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>-112</b>	<b>-123</b>
Borrowings, non-current bank loans	19	-	150
Amortisation, non-current bank loans	19	-34	-416
Change in credit facilities	19	-	-
Dividend paid		-91	-68
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>-125</b>	<b>-334</b>
<b>NET CASH FLOW</b>		<b>304</b>	<b>-169</b>
Cash and cash equivalents at the beginning of the year		161	330
<b>Cash and cash equivalents at the end of the year</b>	<b>17</b>	<b>465</b>	<b>161</b>
Granted and unutilised credit facilities	19	282	282

# Statements of income – parent company

## PARENT COMPANY INCOME STATEMENT 1 JANUARY - 31 DECEMBER

Amounts in MSEK	Note	2022	2021
<b>NET TURNOVER</b>	1, 2	8	8
Other operating income	3	17	19
<b>Operating income, total</b>		<b>25</b>	<b>27</b>
External costs	5	-37	-19
Employee benefit expenses	7	-42	-31
Other operating expenses	3	-59	-17
<b>EBITDA (operating profit/loss before depreciation/amortisation and impairment)</b>		<b>-113</b>	<b>-40</b>
Depreciation/amortisation and impairment losses	10, 11	-3	-4
<b>EBIT (operating profit/loss)</b>		<b>-116</b>	<b>-44</b>
Profit from participations in Group companies	8	534	162
Financial income	8	24	21
Financial expenses	8	-4	-21
<b>Total financial items</b>		<b>554</b>	<b>162</b>
<b>PROFIT/LOSS AFTER FINANCIAL ITEMS</b>		<b>438</b>	<b>118</b>
Tax on profit for the year	9	-92	-25
<b>NET INCOME</b>		<b>346</b>	<b>93</b>

## PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME 1 JANUARY – 31 DECEMBER

Amounts in MSEK	Note	2022	2021
<b>NET INCOME</b>		<b>346</b>	<b>93</b>
Other comprehensive income		-	-
<b>COMPREHENSIVE INCOME</b>		<b>346</b>	<b>93</b>

# Balance sheet – parent company

## PARENT COMPANY ASSETS, 31 DECEMBER

Amounts in MSEK	Note	2022	2021
<b>Non-current assets</b>			
Intangible assets	10	0	4
Deferred tax assets	11	1	0
Other financial assets	12, 13	664	844
<b>Total non-current assets</b>		<b>665</b>	<b>848</b>
<b>Current assets</b>			
Current receivables	16	637	278
Cash and cash equivalents	17	428	143
<b>Total current assets</b>		<b>1,065</b>	<b>421</b>
<b>TOTAL ASSETS</b>		<b>1,730</b>	<b>1,269</b>

## PARENT COMPANY SHAREHOLDERS' EQUITY AND LIABILITIES, 31 DECEMBER

Amounts in MSEK	Note	2022	2021
<b>Shareholders' equity</b>			
Share capital	18	153	153
Statutory reserve		440	440
Share premium reserve		268	268
Retained earnings, incl. net income for the year		227	-28
<b>Total shareholders' equity</b>		<b>1,088</b>	<b>833</b>
<b>Long-term liabilities</b>			
Interest-bearing liabilities	19	102	133
Non-interest-bearing liabilities		57	54
<b>Total non-current liabilities</b>		<b>159</b>	<b>187</b>
<b>Current liabilities</b>			
Accounts payable	20	2	0
Current tax liability	9	73	11
Other non-interest-bearing liabilities	21	408	238
<b>Total current liabilities</b>		<b>483</b>	<b>249</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>1,730</b>	<b>1,269</b>

# Statement of changes in shareholders' equity - parent company

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY - PARENT COMPANY, 2022

Amounts in MSEK	Share capital	Statutory reserve	Share premium reserve	Retained earnings incl. profit/loss for the year	TOTAL SHAREHOLDERS' EQUITY
Opening balance, 1 January 2022	153	440	268	-28	833
Comprehensive income	-	-	-	346	346
Dividends to shareholders	-	-	-	-91	-91
<b>CLOSING BALANCE, 31 DECEMBER 2022</b>	<b>153</b>	<b>440</b>	<b>268</b>	<b>227</b>	<b>1,088</b>

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY - PARENT COMPANY, 2021

Amounts in MSEK	Share capital	Statutory reserve	Share premium reserve	Retained earnings incl. profit/loss for the year	TOTAL SHAREHOLDERS' EQUITY
Opening balance, 1 January 2021	153	440	268	-53	808
Comprehensive income	-	-	-	93	93
Dividends to shareholders	-	-	-	-68	-68
<b>CLOSING BALANCE, 31 DECEMBER 2021</b>	<b>153</b>	<b>440</b>	<b>268</b>	<b>-28</b>	<b>833</b>

# Statements of cash flows - parent company

## PARENT COMPANY STATEMENTS OF CASH FLOWS 1 JANUARY - 31 DECEMBER

Amounts in MSEK	Note	2022	2021
<b>EBIT</b>		<b>-116</b>	<b>-44</b>
<b>Adjustment for items not included in cash flow</b>			
Depreciation/amortisation and impairment losses	10, 11	4	4
Adjustment for other items not included in cash flow		0	2
<b>EBIT adjusted for items not affecting cash flow</b>		<b>-112</b>	<b>-38</b>
Financial items received		24	21
Financial items paid		-4	-21
Received/paid taxes		-30	-42
<b>Cash flow from operating activities before changes in working capital</b>		<b>-122</b>	<b>-80</b>
<b>Change in working capital</b>			
Change in current receivables		175	193
Change in current liabilities (non-interest-bearing)		172	47
<b>Total changes in working capital</b>		<b>347</b>	<b>240</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>225</b>	<b>160</b>
Investments in intangible assets	10	-	-
Contributions in subsidiaries			
Group contributions received		162	-
Other changes in financial fixed assets		21	
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>183</b>	<b>0</b>
Amortisation of loan	19	-32	-416
New loan taken out	19	0	150
Dividend paid		-91	-68
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>-123</b>	<b>-334</b>
<b>NET CASH FLOW</b>		<b>285</b>	<b>-174</b>
Cash and cash equivalents at the beginning of the year		143	317
<b>Cash and cash equivalents at the end of the year</b>	17	<b>428</b>	<b>143</b>
Granted and unutilised credit facilities	19	190	190

# Supplementary disclosures and Notes

## Accounting policies and valuation principles

### BASIS OF THE REPORTS' PREPARATION

These consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act and the International Financial Reporting Standards (IFRS), in the form they have been adopted by the European Union. RFR 1 'Supplementary Accounting Rules for Groups' has also been applied.

### PRECONDITIONS FOR THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The parent company's functional currency is Swedish kronor, which is also the presentation currency for both the parent company and the Group. Unless otherwise indicated, all amounts shown are rounded to the nearest million. The consolidated accounts are prepared according to the cost method, except in the case of certain financial assets which are measured at fair value.

The most important accounting policies applied when preparing the consolidated accounts are described below. These policies have been applied consistently for all years presented, unless otherwise indicated.

### AMENDMENTS OF ACCOUNTING POLICIES AND DISCLOSURES

#### *Standards, amendments and interpretations that entered into force in 2022 and were applied by the Group*

No standards, amendments or interpretations that entered into force in 2022 had any impact on the content of these financial statements.

#### *Standards, amendments and interpretations that have not yet taken effect and that have not been applied in advance by the Group*

Approved changes effective from 1 January 2023 or later are not expected to have any impact on the company's financial statements.

### GROUP COMPANY

The consolidated annual accounts include the annual accounts for the parent company and all subsidiaries for which Rottneros AB is entitled to formulate financial and operational strategies in a way that is normally associated with a shareholding amounting to more than half of the voting rights.

### PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include subsidiaries in which the Group has a controlling interest. The Group controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and can affect those returns through its control of the entity.

Companies acquired during the year are included in the consolidated financial statements from the date on which control is transferred to the Group. Divested companies are excluded from the consolidated accounts from the date on which control ceases. The Group applies the acquisition method to account for business combinations. The consideration for the acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the shares issued by the Group. The consideration also includes the fair value of any assets or liabilities resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and are included in administrative expenses. Identifiable assets acquired and liabilities assumed in a business combination are initially measured at fair value at the acquisition date. For each acquisition, the Group determines whether all non-controlling interests in the acquiree are recognised at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the

identifiable net assets acquired is recognised as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary, the difference is recognised directly in the profit or loss.

Intra-Group transactions, balance sheet items, revenues and expenses for transactions between Group companies are eliminated. All subsidiaries are wholly-owned. In other words, there are no non-controlling interests in the subsidiaries.

### UNTAXED RESERVES/APPROPRIATIONS

When preparing the consolidated accounts, untaxed reserves and appropriations recognised for the individual companies are split between deferred tax and shareholders' equity. The deferred tax liability has been calculated at the current tax rate. The estimated tax thus arrived at, which is attributable to the year's appropriations, is included in the Group's reported tax as 'deferred tax'. See also Note 9.

### TRANSLATION OF FOREIGN SUBSIDIARIES

The local currency for all companies within the Group is the functional currency for the company. The Swedish krona, which is the parent company's functional and presentation currency, is the currency used in the consolidated accounts. Assets and liabilities are translated at closing rates. Items in the income statements are translated at the average rate for each month. Translation differences are not recognised in the income statement, but are instead posted directly to consolidated shareholders' equity via other comprehensive income. When a foreign subsidiary is no longer included in the consolidated accounts, the accumulated exchange difference is recycled into the consolidated income statement as part of the calculation for the transaction gain or loss.

### REVENUE

All revenues from contracts with customers are recognised when the control of a good or service is transferred to the buyer. At the inception of a contract with the customer, each distinct performance obligation shall be identified and accounted for separately. Performance obligations that are not separately identifiable are combined with other such performance obligations. Elements of variable consideration in the contract are taken into account when determining the transaction price. Rottneros has a relatively straightforward business model of a traditional nature regarding revenue recognition.

Revenue is recognised either at a point in time or over time, depending on when the control of the good is passed to the buyer. Control is defined as the buyer's ability to direct the use and thereby obtain substantially all of the benefits from the asset.

Factors that may indicate the point in time at which control passes include, but are not limited to:

- The entity has a present right to payment for the asset
- The customer has legal title to the asset
- The entity has delivered the asset
- The customer has the significant risks and rewards related to the ownership of the asset
- The customer has accepted the asset

The vast majority of Rottneros revenues is derived from the sales of pulp. Control is passed at a point in time, which coincides with the actual delivery of the goods. Revenue is recognised at fair value of the consideration received or receivable. Turnover in the income statement consists of revenues from the sale of goods and invoiced freight, net of returns, discounts, pulp price hedges and VAT.

### SEGMENT REPORTING

IFRS 8, Operating Segments, requires that an operating segment is reported on the same basis as is used in the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the function responsible for allocating resources and assessing the performance of the operating segment. In the Group this function was identified as the President. Rottneros does not report any segments in its internal reporting and consequently nor in its annual accounts.



#### TRANSACTIONS AND BALANCE SHEET ITEMS IN FOREIGN CURRENCIES

Transactions in foreign currencies are translated to the functional currency in accordance with the exchange rates applicable on the transaction day or the day on which the items are revalued. Exchange gains and losses that arise when paying for such transactions are recognised in the income statement. Receivables and liabilities in foreign currencies are valued at the closing rate. The difference between cost and the closing date value has been included in the profit/loss.

#### INVENTORIES

Inventories mainly comprise raw materials and consumables together with pulp. Inventories are measured at the lower of cost and net realisable value. The cost of raw materials and consumables is based on the purchase price and includes expenditure incurred in acquiring the inventories and transporting them to their present location and condition. The cost of finished goods (pulp) comprises raw materials, direct salaries, other direct costs and attributable indirect manufacturing costs (based on normal manufacturing capacity). Net realisable value is the estimated selling price in normal circumstances, less the costs required to complete the sale.

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and bank balances.

Any blocked bank accounts are included under the balance sheet item "Cash and cash equivalents".

#### REPORTING OF LEASE AGREEMENTS

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

A contract is, or contains, a lease under IFRS 16 if the contract transfers the right to control the use of an identified asset for a period of time in exchange for consideration. The standard requires an asset (the right of use) and a financial liability to be recognised for all contracts that meet the definition of a lease.

Leases are recognised as rights of use (property, plant and equipment) and a corresponding liability (non-current and current interest-bearing liabilities), on the date the leased asset is available for use by the Group. Each lease payment is allocated between amortisation of the liability and finance charges. The finance charge shall be spread over the lease term so as to charge each accounting period an amount equal to a fixed rate of interest on the liability recognised in that period. The right-of-use asset is amortised on a straight-line basis over the shorter of the economic life of the asset or the lease term. The lessee determines the lease term by assessing factors such as the importance of the property to the business, its own planned or completed investments in the leased property and the market conditions for the property. Assets and liabilities arising from leases are initially recognised at present value. The lease liabilities include the present value of the following lease payments:

- fixed charges (including charges that are fixed in substance), less incentive claims
- variable lease payments that depend on an index or a price

The lease payments are discounted at the incremental borrowing rate.

Right-of-use assets are measured at cost and include the following:

- the initial measurement of the lease liability
- payments made at or before the time the leased asset is made available to the lessee

Low value leases are expensed on a straight-line basis in the income statement.

Options to extend or terminate leases, rental agreements or premises contracts are included in the asset and liability when it is reasonably certain that they will be exercised. The conditions are used to maximise flexibility in the management of the contracts.

#### BUSINESS ACQUISITION

The acquisition method is used to account for the Group's business combinations, whether the acquisition consists of equity interests or other assets. The purchase price for the acquisition of a subsidiary consists of the fair values of:

- Assets transferred
- Liabilities incurred by the Group to former owners
- Assets or liabilities resulting from a contingent consideration agreement
- Previous equity share in the acquired company

With few exceptions, identifiable assets acquired, liabilities assumed and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date. For each acquisition, the Group determines whether the non-controlling interest in the acquiree is recognised at fair value or at its proportionate share of the carrying amount of the acquiree's identifiable net assets. Acquisition-related expenses are carried as an expense when they arise.

If the business combination is achieved in stages, the previous equity interests in the acquiree are remeasured at their fair value at the acquisition date. Any gain or loss arising from the revaluation is recognised in profit or loss.

#### INTANGIBLE ASSETS

Acquired trademarks and licences are recognised at cost. Acquired software licences are capitalised on the basis of the costs incurred to bring the software into use. Intangible assets under development are recognised at cost. All intangible assets except goodwill have finite useful lives.

Development work is an integral part of production and refers to process and quality improvement measures that are expensed as incurred.

#### GOODWILL

Goodwill is calculated according to the principles of business combinations. Goodwill arising on business combinations is included in intangible assets and represents the excess of the consideration transferred, non-controlling interests and the acquisition-date fair value of the previously held equity interest over the fair value of the identifiable net assets acquired. Goodwill is not amortised, but is tested for impairment annually or more frequently if events or changes in circumstances indicate possible impairment. Goodwill is recognised at cost less accumulated impairment losses. On disposal of an entity, the carrying amount of goodwill is included in the resulting gain/loss.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination.

Cash-generating units related to goodwill in the Group are the company Nykvist Skogs AB.

#### Management has determined the values of the key assumptions above as follows:

**Sales volume:** Average growth rate above the five-year forecast based on historical performance and management's assessment of market development.

**Budgeted operating margin:** Based on historical performance and management judgement about the future.

**Long-term growth rate:** The average growth rate used to extrapolate cash flows beyond the forecast period. The growth rate is in line with forecasts in industry reports.

**Pre-tax discount rate:** Reflects specific risks in the relevant segments and in the geographical areas where the business is conducted.

### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment. Property, plant and equipment have been separated into significant components when the components have significantly different useful lives. The depreciable amount is the cost less estimated residual value if this is material. Expenditures for repairs and maintenance are recognised as a cost in the period in which they arise.

Scheduled depreciation/amortisation is based on the cost and estimated useful life of the assets. The straight-line method is used for all kinds of fixed assets. The residual value and useful life of the assets are assessed on each reporting date and adjusted if appropriate.

The following depreciation/amortisation periods have been applied:

Licences	10 years
Software	3–5 years
Buildings and land improvements	20–50 years
Plant and machinery	10–20 years
Equipment, tools, fixtures and fittings	5–10 years
Computers	3–5 years

### IMPAIRMENT OF NON-FINANCIAL ASSETS

If, on an ongoing basis, there is a risk that the value of an asset has decreased, the asset is tested for impairment. For intangible assets that are not yet ready for use, the recoverable amount is calculated annually.

If it is not possible to identify substantially independent cash flows for an individual asset, the assets should be grouped for impairment testing to the lowest level at which significant dependent cash flows can be identified (a cash-generating unit). An impairment loss is recognised when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. Impairment is charged to the income statement.

Impairment of assets is calculated in proportion to the assets included in the unit. The recoverable amount is the higher of the asset's net realisable value and its value in use. Value in use is the present value of future cash flows discounted at a rate based on the risk-free rate adjusted for the risk associated with the specific asset. For an asset that does not generate cash flows, the recoverable amount of the cash-generating unit to which the asset belongs is calculated.

At each reporting period it is determined whether there are indications that a previous impairment of an asset, wholly or partially, is no longer justified. If such indications are present the recoverable amount of the asset is calculated.

A previous impairment of an asset is reversed only if there has been a change in the assumptions that formed the basis for the determination of the recoverable amount when the most recent impairment was charged. If so, the carrying amount of the asset is increased to the recoverable amount. This increase is a reversal of an impairment.

### PROVISIONS

A provision is recognised in the balance sheet where: there is a legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required in order to settle the obligation; and a reliable estimate can be made of the amount. Provisions for restructurings are made when there is a detailed formal plan for the restructuring and a valid expectation has been raised in those affected.

In cases where it is not expected that the provisions will be utilised within a twelve-month period, they are measured at the present value of the amount expected to be required to settle the obligation. A pre-tax discount rate is used in the calculations that reflects the current market assessment of the time value of money and those risks specific to the provision. The increase in the provision due to the passage of time is recognised as an interest expense.

### TAXES

Income taxes recognised include tax that will be paid or received for the current period, adjustments for current tax for prior periods, as well as changes in deferred tax.

Tax assets/liabilities are measured at nominal amounts and in accordance with the tax provisions and tax rates established or where notice has been given and there is a high degree of certainty that they will be confirmed.

For items recognised in the income statement, any related tax effects are also recognised in the income statement. Tax effects of items credited

directly to shareholders' equity are also recognised as equity. Tax relating to items reported in other comprehensive income is also reported in other comprehensive income.

Deferred tax is calculated and recognised according to the balance sheet liability method for all temporary differences arising between the tax base and the carrying amount of assets and liabilities, and also accumulated tax loss carryforwards. Deferred tax is calculated using the tax rates (and laws) that have been established or where notice has been given as of the balance sheet date and that are expected to apply when the relevant deferred tax asset is realised or the deferred tax liability is settled.

Estimated current tax liabilities are recognised in the balance sheet as current liabilities. Deferred tax liabilities are recognised as provisions. Deferred tax assets are recognised as long-term receivables to the extent it is likely that a future tax surplus will be available.

### REMUNERATION OF EMPLOYEES

With the exception of the ITP (supplementary pensions for salaried employees) plan, the Group only has defined contribution plans. The Group's payments in respect of defined contribution plans are recognised as a cost during the period when the employees performed the services to which the contribution relates.

The commitments for the retirement and family pensions of salaried office workers in Sweden are guaranteed through an insurance policy with Alecta, an ITP plan which according to a statement from the Swedish Financial Accounting Standard Council (UFR 3), is a defined benefit plan covering a number of employees. However, a disclosure in accordance with the provisions of Item 29 of IAS 19 cannot be made as the insurance provider is unable to provide the necessary information. Accordingly the ITP plan is recognised as a defined contribution plan in accordance with Item 30 of IAS 19. This year's pension insurance premiums according to ITP that are contracted with Alecta amount to 4 (7) MSEK. Alecta's surplus can be distributed to the policyholders and/or the insured parties. Alecta's surplus in the form of the collective consolidation level amounted to 172 percent (148 percent) at the end of 2022. The collective consolidation level comprises the market value of Alecta's assets as a percentage of the insurance commitments calculated according to Alecta's actuarial assumptions, which are not in line with IAS 19.

Rottneros has no share-related payment transactions with employees where the company receives services from employees as consideration for the Group's equity instrument.

### EMISSION ALLOWANCES

Emission allowances received are recognised in accordance with the rules for government grants. Upon allocation, emission allowances are recognised as current receivables at cost, which are deemed to correspond to the market value of the emission allowances at the time of allocation. A corresponding amount is recognised as deferred income. The deferred income is taken up as other operating income in pace with recorded receivables reducing and emissions being carried as an expense as raw materials and consumables. Revenue from emission allowances is recognised for emissions made at the value at which they were recognised on allocation. Any remaining emission allowances (not required to cover own emissions) are taken up as revenue when sold.

### ELECTRICITY CERTIFICATES

Electricity certificates shall be allocated for renewable electricity produced by the company and are sold on an ongoing basis. Electricity certificates sold, which are not settled as cash, are recognised at market value as accrued income and other operating income. Any unsold electricity certificates are recognised at market value on each occasion of allocation and as a current financial receivable. They are impaired to the market value at year end if that value is lower.

### BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period they arise.

### CASH FLOW STATEMENT

The cash flow statement is prepared in accordance with the indirect method. The reported cash flow only covers transactions involving cash receipts or payments. This means that there may be variances when compared with changes to individual items in the balance sheet.

## FINANCIAL INSTRUMENTS

All financial instruments are initially measured at fair value plus transaction costs, except for those financial instruments that are measured at fair value through profit or loss for which the transaction costs are charged to expense when incurred. For these assets, transaction costs are expensed as incurred.

Financial assets are removed from the balance sheet when the right to receive cash flows from the asset has expired or been transferred and the Group has transferred substantially all risks and rewards associated with ownership.

### Classification of financial assets

In accordance with IFRS 9, financial assets are classified and accounted for as either debt instruments, equity instruments, or derivative instruments.

### Interest-bearing financial assets

The classification and measurement of debt instruments depends on the business model that Rottneros applies regarding how the financial assets are managed. Debt instruments are measured at:

- Amortised cost
- Fair value through other comprehensive income
- Fair value through profit or loss

All of Rottneros debt instruments are held in order to receive payments of principal and interest. Therefore, all debt instruments are accounted for and measured at amortised cost, using the effective interest method. Interest income is recognised in net financial income in the income statement. Any transaction gain or loss arising from the de-recognition of these assets are reported as other operating income or expense, respectively.

Rottneros' interest-bearing assets in the balance sheet consist of accounts receivable and loans receivable.

### Equity instruments

All equity instruments are measured at fair value in the balance sheet, with the changes in fair value recognised in other operating income or expenses in the income statement.

### Financial liabilities

#### Accounts payable

Accounts payable are recognised initially at fair value and subsequently at amortised cost using the effective interest method.

### Borrowing

Borrowing, including utilised credit facilities, is initially recognised at fair value, net after transaction costs. Borrowing is subsequently recognised at amortised cost, and any difference between the amount received (net after transactions costs) and the amount repaid is recognised in the income statement over the term of the loan applying the effective interest method.

Borrowing is classified as current liabilities unless the Group has an unconditional right to defer payment of the liability for at least twelve months after the balance sheet date.

### Derivatives

Derivative instruments are recognised in the balance sheet on the contract date and are measured at fair value both initially and when they are subsequently revalued. The method for recording the gain or loss resulting from revaluation depends on whether the derivative has been designated as a hedging instrument. The Group uses derivatives to hedge the risk of exchange rate fluctuations and changes in pulp prices, and to hedge its exposure to changes in electricity prices. All types of hedging are used from time to time to protect the value of future cash flows. When the transaction is entered, the Group documents the relationship between the hedging instrument and the hedged item as well as the Group's risk management objectives and risk management strategy for such hedging. The Group also documents its assessment - both at the inception of the hedge and in subsequent periods - of whether the derivative instruments used in hedging transactions are effective as regards cash flows attributable to the hedged items.

A disclosure about a fair value for the various derivative instruments used for hedging purposes can be found in Note 6. The entire fair value of a derivative that constitutes a hedging instrument is classified as a fixed asset or long-term liability when the remaining term for the hedged item exceeds twelve months, and as a current asset or current liability when the remaining term for the hedged item is less than twelve months.

The effective portion of the changes in fair value of a derivative instrument that has been identified as a cash flow hedge and that meets the conditions for hedge accounting is recognised in other comprehensive income. Changes in the hedging reserve in shareholders' equity are shown in Note 18. The gain or loss relating to the ineffective portion or to realised hedges is recognised immediately in the income statement under net turnover in the case of pulp futures contracts, under other income in the case of foreign exchange futures contracts and under raw materials and consumables in the case of electricity futures contracts.

## IMPORTANT ESTIMATES AND ASSUMPTIONS

When preparing financial statements, a number of important estimates must be made for accounting purposes, and the management team needs to make certain judgments when applying the Group's accounting policies. Estimates and judgments are evaluated on an ongoing basis and are based on historical experience and other factors, including expectations for future events that are deemed reasonable in the prevailing circumstances.

The Group makes estimates and assumptions about the future. The resulting estimates for accounting purposes, by definition, seldom correspond to the actual outcome. Valuation of property, plant and equipment and valuation of finished goods inventories are areas that involve a high level of judgment on the part of Rottneros and where assumptions and estimates are of material importance for the consolidated accounts.

### Valuation of property, plant and equipment

Significant assumptions and estimates related to property, plant and equipment include judgment of whether amounts are to be expensed as maintenance or capitalised as an asset, assessment of the expected useful lives, the recoverable amount of the assets, identification of cash-generating units, the discount rate used in present value calculations, as well as assessing whether there is any indication that an asset may be impaired or that a previous impairment is no longer justified.

### Valuation of finished goods inventories

Inventories are measured at the lower of cost and net realisable value. The cost of finished goods also includes a reasonable share of indirect costs, based on normal production capacity. Incorrect assumptions in the calculation model would result in an incorrect cost allocation, affecting the valuation of finished goods and the recognised cost for goods sold.

## THE PARENT COMPANY'S ACCOUNTING POLICIES

The parent company applies the same accounting policies as the Group, with the following exceptions. Derivatives are recognised during the term of the contract at the lower of cost and fair value. Participating interests in subsidiaries are carried at cost less any impairment losses.

Group contributions that the parent company receives from a subsidiary are recognised in the parent company as customary dividends from subsidiaries in accordance with RFR 2. This means that Group contributions are reported as 'financial income'. Tax on Group contributions are reported in the income statement in accordance with RFR 2.

Group contributions provided to a subsidiary by the parent company are reported, according to the main approach of RFR 2, as an increase in the participating interests in the subsidiary. A review is simultaneously conducted of whether there is any need to perform an impairment test on participating interests for those subsidiaries that have received Group contributions. The tax effect is reported in accordance with IAS 12, i.e., in the income statement. All lease agreements are recognised as operating leases.

# Notes

Amounts in MSEK unless otherwise stated

## NOTE 1. NET TURNOVER

Net turnover consists of the following:

	Group		Parent Company	
	2022	2021	2022	2021
Sales of pulp	2,762	2,155	-	-
Results from pulp price hedging	-58	-17	-	-
Sale of by-products	96	47	-	-
Sales of pulp wood	180	118	-	-
Management fees received	-	-	8	8
<b>Total</b>	<b>2,980</b>	<b>2,303</b>	<b>8</b>	<b>8</b>

Revenue from the sales of Rottneros products is recognised at a specific point in time when control of the product is transferred to the customer. For each sales transaction there is only one performance obligation: delivery of the product in accordance with the terms of the sale.

Net turnover by geographic market:

	2022		2021	
	2022	%	2021	%
Sweden	680	24	467	20
Other Nordic countries	274	9	234	10
Germany	457	15	351	15
Italy	391	13	317	14
Rest of Europe	271	9	219	10
North America	244	8	219	10
Asia	663	22	495	21
Rest of world	0	0	1	0
<b>Total</b>	<b>2,980</b>	<b>100</b>	<b>2,303</b>	<b>100</b>

In 2022, the Group's largest customer accounted for 10 (7) percent of turnover. Of the parent company's customer net sales, 100 (100) percent relate to wholly owned subsidiaries.

Breakdown of pulp turnover by use:

	2022		2021	
	2022	%	2021	%
Board and packaging	880	32	551	26
Printing and writing papers	266	10	368	17
Filters	542	20	463	21
Electrical applications	410	15	315	15
Tissue paper	114	4	122	6
Specialty paper	399	14	306	14
Fibercement	65	2	0	0
Other	86	3	30	1
<b>Total</b>	<b>2,762</b>	<b>100</b>	<b>2,155</b>	<b>100</b>

## NOTE 2. RELATED PARTY TRANSACTIONS

Arctic Paper S.A. (parent company of Rottneros AB) owned 51 percent of the shares in Rottneros AB at the end of the year. Arctic Paper S.A. is a parent company in the Arctic Paper S.A. Group, which includes the following customers of Rottneros and is thus reported as a related party to Rottneros:

- Arctic Paper Grycksbo AB
- Arctic Paper Kostrzyn S.A.
- Arctic Paper Munkedal AB

The following table shows the total amount of transactions with the above-mentioned related parties that occurred in 2022 and 2021 respectively. Goods are sold on the same terms as for non-related parties.

Related party	Sales		Accounts receivable	Accounts receivable
	Sales 2022	Sales 2021	31 Dec 22	31 Dec 21
Arctic Paper S.A. Group	0	71	0	5

Receivables from related parties arise entirely from sales transactions and no provision for doubtful receivables from related parties has been made.

One hundred (100) percent of the parent company's net sales consisted of sales from subsidiaries and 1 (2) percent of its operating expenses related to purchases from subsidiaries.

## Transactions with persons in management positions

Information on salaries, remuneration and other benefits to senior management can be found in note 7.

## NOTE 3. OTHER OPERATING INCOME

	Group		Parent Company	
	2022	2021	2022	2021
Sale of by-products	-	-	-	-
Exchange rate effects	37	18	-	1
Loss/gain from pulp price hedging contracts	-	-	-	-
Loss/gain from electricity price hedging contracts	-	-	-	0
Sale of green electricity certificates	0	0	-	-
Revenue from emission allowances	7	4	-	-
Other income group companies	-	-	17	15
Other	0	7	-	3
<b>Total</b>	<b>44</b>	<b>29</b>	<b>17</b>	<b>19</b>

## OTHER OPERATING EXPENSES

	Group		Parent Company	
	2022	2021	2022	2021
Currency return	-	-	-2	-
Loss/gain from currency hedging contracts	-	-	-	-
Loss/gain from pulp price hedging contracts	-	-	-57	-17
Loss/gain from electricity price hedging contracts	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-59</b>	<b>-17</b>

## NOTE 4. RAW MATERIALS AND SUPPLIES

	Group		Parent Company	
	2022	2021	2022	2021
Pulp wood	-830	-751	-	-
Chemicals	-272	-159	-	-
Electricity	-383	-179	-	-
Loss/gain from electricity price hedging contracts	300	113	-	-
Fuel	-125	-64	-	-
Other costs for raw materials and consumables	-106	-85	-	-
<b>Total</b>	<b>-1,416</b>	<b>-1,125</b>	<b>-</b>	<b>-</b>

**NOTE 5. AUDIT EXPENSES**

	Group		Parent Company	
	2022	2021	2022	2021
Audit engagement, KPMG	1.2	1.1	0.5	0.5
Audit activities in addition to the audit assignment, KPMG	0.0	0.0	0.0	0.0
<b>Total</b>	<b>1.2</b>	<b>1.1</b>	<b>0.5</b>	<b>0.5</b>

The accounting firm KPMG has been Rottneros' auditor since the Annual General Meeting on 16 May 2018. Rottneros has not purchased any material services beyond the audit engagement from the audit firm elected by the AGM.

**NOTE 6. FINANCIAL INSTRUMENTS**

Financial instruments for each category

	2022	2021
<b>Assets</b>		
Financial assets		
Equity instruments	8	8
Derivatives		
Derivative instruments used for hedging purposes	679	181
Financial receivables and cash and cash equivalents		
Accounts receivable	451	322
Cash and cash equivalents	465	161
<b>Total assets</b>	<b>1,603</b>	<b>672</b>
<b>Liabilities</b>		
Financial liabilities		
Interest-bearing liabilities	111	145
Accounts payable	284	220
Derivatives		
Derivative instruments used for hedging purposes	0	8
<b>Total liabilities</b>	<b>395</b>	<b>373</b>

**Financial instruments recognised at fair value**

The table below shows financial instruments measured at fair value, including how the fair value hierarchy was classified. The various levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2).
- Inputs for assets or liabilities that are not based on observable market input goods (i.e., unobservable input goods) (Level 3).

	Fair value		Classification in the fair value hierarchy
	2022	2021	
<b>Assets</b>			
Equity instruments	8	8	Level 3
Derivative instruments used for hedging purposes	460	149	Level 2
Derivative instruments classified as financial positions	165	-	Level 2
<b>Total assets</b>	<b>633</b>	<b>157</b>	
<b>Liabilities</b>			
Derivative instruments used for hedging purposes	0	8	Level 2
<b>Total liabilities</b>	<b>0</b>	<b>8</b>	

The table below show fair value for such financial instruments that are measured at amortised cost.

	2022		2021	
	Book value	Fair value	Book value	Fair value
<b>Assets</b>				
Accounts receivable	451	451	322	322
Derivative instruments used for hedging purposes	54	54	32	32
Cash and cash equivalents	465	465	161	161
<b>Total assets</b>	<b>970</b>	<b>970</b>	<b>515</b>	<b>515</b>
<b>Liabilities</b>				
Interest-bearing liabilities	111	111	145	145
Accounts payable	284	284	220	220
<b>Total liabilities</b>	<b>395</b>	<b>395</b>	<b>365</b>	<b>365</b>

**Financial risks and risk management**

The factors that have the greatest impact on the Group's result are associated with the price of pulp in USD, exchange rates and pulp wood and electricity prices.

Financial risk is managed at a Group level in accordance with guidelines defined in the Group's Financial Policy and approved annually by the Board of Directors.

The Board of Directors makes decisions on overall mandates and limits for restricting the Group's financial risk exposures and also makes decisions on all long-term financing.

The Board of Directors approves hedging levels based on proposals from senior management. The management continually assesses whether factors such as the USD exchange rate, pulp price or electricity price present attractive opportunities for strategic hedging. Financial hedging instruments are not used speculatively, but solely to hedge transactions and costings in accordance with the approved financial policy.

A more detailed description of opportunities and risks, together with a sensitivity analysis, can be found in a separate section, see pages 65-71.

**Pulp price risk**

The setting of prices in the pulp market is governed by international price levels that depend on demand and the global economy.

Pulp price hedging is used when the price levels in long-term contracts are economically advantageous or when the market price is so low that further reductions may threaten the survival of the company. As a main rule, pulp prices are hedged in Swedish kronor.

**Foreign currency risk**

Most invoices are issued in USD, EUR and SEK.

**Pulp wood price risk**

The Group does not hedge against market price fluctuations, but long-term supplier agreements provide some stability to prices.

**Electricity price risk**

All external electricity for the mills is purchased directly via the Nord Pool electricity exchange. Electricity prices are quoted in EUR. In order to protect Rottneros' future electricity costs against sharp fluctuations and to achieve a predictable electricity price, future electricity prices are hedged in advance in Swedish kronor (SEK) according to a defined strategy.

**Interest rate risk**

In July 2021, Rottneros redeemed a bond loan of 400 MSEK and took out a bank loan of 150 MSEK. The Group's borrowing is shown in Note 19 on page 101. Interest rate risk is mainly related to the variable interest rate of the bank loan and the return on cash and cash equivalents.

**Liquidity and refinancing risks**

Financing risk shall be minimised as far as possible by ensuring that the maturity of loans and other credit facilities is well diversified and evenly spread over time. Outstanding credit facilities shall be refinanced no later than three months before they fall due.

The Group's target for the liquidity reserve to be at least 10 percent of the Group's 12-month rolling turnover and to be available within 30 days. The Group continuously produces liquidity forecasts.

Rottneros' credit agreement is considered to be sufficient for normal operating and investment cash flow for the next few years. Both the liquidity and refinancing risks are therefore considered to be low at this time.

The Group shall have a capital structure that is optimal to keep the cost of capital down while ensuring its ability to continue its operations. To maintain or adjust the capital structure, the Group may raise new debt, change the dividend paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

#### Derivative instruments

	2022		2021	
	Assets	Liabilities	Assets	Liabilities
<b>Fair value hedges</b>				
Currency forwards	-	-	-	-
Cash flow hedges				
Pulp price forwards	6	0	0	8
Electricity price forwards	619	-	149	0
<b>Total</b>	<b>625</b>	<b>0</b>	<b>149</b>	<b>8</b>
Minus non-current portion:	-	-	-	-
Electricity price forwards	-228	-	-42	-
<b>Current portion</b>	<b>397</b>	<b>0</b>	<b>107</b>	<b>8</b>

The full fair value of a derivative instrument that constitutes a hedging instrument is classified as a non-current asset or non-current liability if the remaining maturity of the hedged item exceeds twelve months, and as a current asset or current liability if the remaining maturity of the hedged item is less than twelve months.

The maximum exposure for credit risk on the balance sheet date is the fair value of the derivative instruments recognised as assets in the balance sheet.

#### Derivative instruments, 31 December 2022

Hedging	Hedged volume	Maturity	Hedging level	Fair value
Currency USD, forward sell	-	-	-	-
Currency EUR, forward sell	-	-	-	-
Pulp price, forward sell	12 000 tonnes	2023	13,638 SEK/tonne	6
Electricity price, forward purchase cash flow hedge	640 200 MWh	2023-2025	0.345 SEK/kWh	454
Electricity price, forward, financial	105 120 MWh	2023-2024		165
<b>Total fair value</b>				<b>625</b>

#### Derivatives instruments, 31 December 2021

Hedging	Hedged volume	Maturity	Hedging level	Fair value
Currency USD, forward sell	-	-	-	-
Currency EUR, forward sell	-	-	-	-
Pulp price, forward sell	12 000 tonnes	2022	9 721 /tonne	-8
Electricity price, forward buy	1,025,640 MWh	2022-2025	0.320 SEK/kWh	149
<b>Total fair value</b>				<b>141</b>

The valuation is based on directly observable price quotations on 31 December that are classified at level 2 in the fair value hierarchy described in IFRS 13.

#### NOTE 7. PERSONNEL AND REMUNERATION

	2022		2021	
	Average no. of employees	of whom women %	Average no. of employees	of whom women %
Parent Company	15	40	13	31
Subsidiaries	304	18	303	18
<b>Group, total</b>	<b>319</b>	<b>19</b>	<b>316</b>	<b>18</b>
Of which				
Sweden	316	18	313	18
Latvia	3	67	3	67

Pay and other remuneration plus social security contributions:

	2022			2021		
	Pay and other remuneration	Social security contributions	(of which pension expenses)	Pay and other remuneration	Social security contributions	(of which pension expenses)
Parent Company	24	11	5	17	10	4
Subsidiaries	182	72	16	168	65	13
<b>Group, total <sup>1</sup></b>	<b>206</b>	<b>83</b>	<b>21</b>	<b>185</b>	<b>75</b>	<b>17</b>

1) SEK 3.5 (4.7) million of the Group's pension expenses relate to the CEO/MDs and other senior executives.

Salaries and other remuneration broken down between the Board of Directors and CEOs, and other employees:

	2022			2021		
	Board of Directors, CEO and other senior executives	(of which variable remuneration)	Other employees	Board of Directors, CEO and other senior executives	(of which variable remuneration)	Other employees
Parent Company	16	3	8	12	2	3
Subsidiaries	1	0	181	3	0	165
<b>Group, total</b>	<b>17</b>	<b>3</b>	<b>189</b>	<b>15</b>	<b>2</b>	<b>168</b>

## Remuneration of senior executives

### Principles

The Chairman and members of the Board of Directors receive a fee as determined by the AGM. This fee is also for Board committee work. Employee representatives receive a fee as determined by the AGM for the time needed to read materials prior to meetings.

Remuneration for the CEO and other senior executives complies with the guidelines for the remuneration of senior executives adopted by the AGM. Remuneration consists of a fixed salary, any variable component of pay, other benefits and pension. The total remuneration package must be in line with market rates and competitive in the market in which the executives work. Fixed salary and variable remuneration are related to the responsibilities and powers held by each executive. "Other senior executives" currently means the eight people who make up Group management together with the CEO. See page 107 for the composition of Group management.

See page 62 in the Directors' Report for the Board's proposal to the 2020 AGM regarding "Guidelines for remuneration for senior executives".

### Variable remuneration

The variable component of pay, which is cash, is based on outcomes in relation to defined and measurable targets and is capped in relation to fixed salary. These targets are broken down into specified quantitative objectives, mainly directed at financial objectives, results and cash flow of the Group, but also – in relation to Heads of Units – the respective business unit, as well as qualitative personal objectives, which mean that variable remuneration is related to the individual's efforts and performance.

Variable remuneration for the CEO is capped at 50 percent of fixed salary. Variable remuneration for other senior executives is capped at 30 percent of fixed salary.

The Board of Directors can impose conditions, restrict or decline to make variable remuneration payments in exceptional financial circumstances if

the Board considers such measures to be reasonable and compatible with the duties of the company in relation to shareholders, employees and other stakeholder.

### Pensions

The retirement age for the CEO is 65 years. The pension premium amounts to 30 percent of the basic salary. Other senior executives are covered by current collective bargaining agreements between the Confederation of Swedish Enterprise and the Federation of Salaried Employees in Industry and Services (PTK) and have a retirement age of 65.

The CEO and certain other senior executives have chosen to take out a portion of their compensation in the form of capital pension through a so called salary exchange. The balance sheets for the Group and the Parent Company include a long-term receivable consisting of premiums paid to the insurance company and a corresponding non-interest bearing liability. The recognised liability is expected to fall due later than 5 years after the balance sheet date.

### Severance payments

The period of notice is six months if notice is given by the CEO. If notice is given by the Company, the CEO of the parent company is entitled to 18 monthly salaries. A period of notice of three to six months applies for other senior executives if notice is given by the employee. If notice is given by the Company, the period of notice is between six and twelve months.

### Decision-making process

Issues related to executive remuneration are dealt with by the Remuneration Committee and, in the case of the CEO and the principles of executive remuneration, are decided by the Board of Directors. If the company in a particular case assigns an individual Board member tasks on behalf of the company over and above their regular board and committee duties, the Board shall determine the level of remuneration, which must be reasonable and in line with market rates.

Remuneration and other benefits in 2022 (MSEK)	Basic salary/ Directors' fees	Variable remuneration	Other benefits	Pension expenses	Other remuneration	TOTAL
Chairman of the Board Per Lundeen	0.6	-	-	-	-	0.6
Board members:						
Marie S. Arwidson	0.3	-	-	-	-	0.3
Ulf Carlson (4 months)	0.1	-	-	-	-	0.1
Roger Mattsson	0.3	-	-	-	-	0.3
Conny Mossberg	0.3	-	-	-	-	0.3
Johanna Svanberg (8 months)	0.2	-	-	-	-	0.2
Julia Onstad (8 months)	0.2	-	-	-	-	0.2
Chief Executive Officer Lennart Eberleh	3.4	1.0	0.2	1.2	0.0	5.8
Other senior executives (8)	8.7	1.6	0.5	2.2	0.1	13.1
<b>Total</b>	<b>14.1</b>	<b>2.6</b>	<b>0.7</b>	<b>3.4</b>	<b>0.1</b>	<b>20.9</b>

Remuneration and other benefits in 2021 (MSEK)	Basic salary/ Directors' fees	Variable remuneration	Other benefits	Pension expenses	Other remuneration	TOTAL
Chairman of the Board Per Lundeen	0.6	-	-	-	-	0.6
Board members:						
Marie S. Arwidson	0.3	-	-	-	-	0.3
Ulf Carlson	0.3	-	-	-	-	0.3
Roger Mattsson	0.3	-	-	-	-	0.3
Conny Mossberg	0.3	-	-	-	-	0.3
Chief Executive Officer Lennart Eberleh	3.2	0.8	0.1	1.5	0.0	5.6
Other senior executives (8)	10.0	1.3	0.4	3.3	0.1	15.1
<b>Total</b>	<b>15.0</b>	<b>2.1</b>	<b>0.5</b>	<b>4.8</b>	<b>0.1</b>	<b>22.5</b>

### Comments on the table

- Variable remuneration refers to what was charged to profit/loss for 2022 and 2021 respectively.
- Other benefits relate mainly to company cars and health insurance.
- There are two employee representatives and two deputies for the employees on the Board of Directors. The two representatives are Jerry Sohlberg and Mika Palmu and the two alternates are Jimmy Thunander and Jörgen Wasberg. The four representatives each received a fee of SEK 29,000 (27,500) per person for the time needed to read materials prior to meetings.
- The group of senior executives at the end of the year, totalling eight people, consisted of six men and two women. The Board at the end of the year, totalling eight people, consisted of five men and three women.

**NOTE 8. FINANCIAL INCOME AND EXPENSES**

	Group		Parent Com- pany	
	2022	2021	2022	2021
<b>Financial income</b>				
External interest income	4	0	3	0
Interest income from subsidiaries	-	-	21	21
Dividends from external companies	-	1	-	-
Loss/gain from electricity price hedg- ing contracts	165	-	-	-
Group contributions received/paid, net	-	-	534	162
<b>Total</b>	<b>169</b>	<b>1</b>	<b>558</b>	<b>183</b>
<b>Financial expenses</b>				
Interest expenses	-5	-22	-4	-21
<b>Total</b>	<b>-5</b>	<b>-22</b>	<b>-4</b>	<b>-21</b>

**NOTE 9. INCOME TAXES**

	Group		Parent Company	
	2022	2021	2022	2021
Current tax	-99	-26	-92	-25
Deferred tax	-50	-22	0	0
<b>Total</b>	<b>-149</b>	<b>-48</b>	<b>-92</b>	<b>-25</b>

Difference between reported tax expense and tax expense based on the applicable tax rate:

	Group		Parent Com- pany	
	2022	2021	2022	2021
Income for the year before tax	714	246	438	117
Tax at applicable tax rate	-147	-51	-90	-24
Tax effect of non-deductible items	-2	-1	-2	-1
Tax effect of non-taxable items	0	0	0	0
Tax attributable to previous years	0	0	0	0
Tax effect on investments 2021	0	4	0	0
<b>Reported tax expense</b>	<b>-149</b>	<b>-48</b>	<b>-92</b>	<b>-25</b>

**Tax rate**

The applicable tax rate for 2022 was 20.6 percent (20.6).

**Temporary differences**

Temporary differences exist when the carrying amounts of assets or liabilities are different from their tax bases. Temporary differences relating to the following items have resulted in deferred tax assets (+) and deferred tax liabilities (-):

Group	Other temporary differences	Derivative instruments	Excess depreciation	Non-current liabilities	Total
As of 1 January 2021	-	-4	-101	0	-105
Recognised in income statement	4	0	-26	0	-22
Recognised in other comprehensive income	-	-25	-	-	-25
<b>As of 31 December 2021</b>	<b>4</b>	<b>-29</b>	<b>-127</b>	<b>0</b>	<b>-152</b>
Recognised in income statement	-1	-34	-15	0	-50
Recognised in other comprehensive income	-	-66	-	-	-66
<b>As of 31 December 2022</b>	<b>3</b>	<b>-129</b>	<b>-142</b>	<b>0</b>	<b>-268</b>

The following table presents a summary of deferred tax assets and deferred tax liabilities. There are no current deferred tax assets or liabilities.

	Group		Parent Company	
	2022	2021	2022	2021
Deferred tax assets, non-current	0	4	0	0
Deferred tax liabilities, long-term	-268	-156	-	-
<b>Total</b>	<b>-268</b>	<b>-152</b>	<b>0</b>	<b>0</b>

Deferred tax assets and tax liabilities are offset where there is a legal right to offset the tax assets and liabilities in question and when the deferred tax relates to the same tax authority. The following amounts resulted from such offset and have been recognised in the balance sheet:

	Group		Parent Company	
	2022	2021	2022	2021
Deferred tax assets	3	4	0	0
Deferred tax liabilities	-271	-156	-	-
<b>Total</b>	<b>-268</b>	<b>-152</b>	<b>0</b>	<b>0</b>



## NOTE 10. INTANGIBLE ASSETS

Group	2022						2021					
	Soft-ware	Trade-marks	Licences	Assets under development	Good-will	Total	Soft-ware	Trade-marks	Licences	Assets under development	Good-will	Total
Opening cost	42	25	0	0	21	88	42	25	0	0	21	88
Acquisitions for the year	0	-	-	-	-	0	0	-	-	-	-	0
Acquisitions during the year <sup>1</sup>	-	-	-	-	-	0	-	-	-	-	-	0
Items transferred during the year	-	-	-	-	-	0	-	-	-	-	-	0
<b>Closing accumulated cost</b>	<b>43</b>	<b>25</b>	<b>0</b>	<b>0</b>	<b>21</b>	<b>89</b>	<b>42</b>	<b>25</b>	<b>0</b>	<b>0</b>	<b>21</b>	<b>88</b>
Opening depreciation/amortisation and impairment	-39	-25	-	-	0	-64	-33	-25	-	-	0	-58
Depreciation for the year	-4	-	-	-	-	-4	-6	-	-	-	-	-6
Items transferred during the year	-	-	-	-	-	0	-	-	-	-	-	0
<b>Closing accumulated depreciation/amortisation and impairment losses</b>	<b>-43</b>	<b>-25</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-68</b>	<b>-39</b>	<b>-25</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>-64</b>
<b>Closing residual value according to plan</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21</b>	<b>21</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21</b>	<b>25</b>

Parent Company	2022			2021		
	Software	Assets under development	Total	Software	Assets under development	Total
Opening cost	18	0	18	18	0	18
Acquisitions for the year	-	-	-	-	-	-
Items transferred during the year	-	-	-	-	-	0
<b>Closing accumulated cost</b>	<b>18</b>	<b>0</b>	<b>18</b>	<b>18</b>	<b>0</b>	<b>18</b>
Opening depreciation/amortisation and impairment losses	-14	0	-14	-11	0	-11
Depreciation for the year	-4	-	-4	-4	-	-4
Items transferred during the year	-	-	-	-	-	0
<b>Closing accumulated depreciation/amortisation and impairment losses</b>	<b>-18</b>	<b>0</b>	<b>-18</b>	<b>-14</b>	<b>0</b>	<b>-14</b>
<b>Closing residual value according to plan</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>4</b>	<b>-</b>	<b>4</b>

<sup>1</sup> Goodwill that is expected to be tax deductible amounts to 0.0 KSEK. No significant transaction costs have been incurred for this acquisition.

#### Impairment testing

Goodwill is tested annually for impairment. If an impairment loss is required, it is recognised in the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of net realisable value and value in use. Value in use is the present value of the estimated future cash flows. The cash flows have been based on financial plans established by group management and approved by the Board of Directors, normally covering a period of five years. Cash flows beyond this period have been extrapolated using an estimated growth rate. Wherever possible, Rottneros uses external sources of information, however, the element of past experience is also significant as in some cases there are no external sources that can be used as a basis for assumptions and judgements without processing.

The calculation of the value in use is based on assumptions and judgements. The most significant assumptions relate to organic growth, operating margin development, the level of operating capital employed and the weighted average cost of capital (WACC), which is used to discount future cash flows. The discount rate used is pre-tax and reflects risks specific to the cash-generating unit.

The assumptions and judgements used in the impairment assessment are summarised below.

WACC	11%
Estimated growth rate beyond the forecast period	2%
Average growth rate over the forecast period	7%
Operating margin over the forecast period	3.7 - 4.2%

The result of the impairment assessment for goodwill indicates that there was no impairment of goodwill.

**NOTE 11 PROPERTY, PLANT AND EQUIPMENT**

Group	2022						Total
	Land	Land improvements	Buildings	Machinery	Equipment	Const. in progress/advances	
Opening cost	3	105	252	2,369	93	116	2,938
Acquisitions for the year	-	3	14	24	5	67	113
Sales/disposals	-	-	-	0	-	-	0
Through acquisitions	-	-	-	-	-	-	0
Items transferred during the year	-	8	9	103	1	-121	0
<b>Closing accumulated cost</b>	<b>3</b>	<b>116</b>	<b>275</b>	<b>2,496</b>	<b>99</b>	<b>62</b>	<b>3,051</b>
Opening depreciation	-	-32	-106	-1,504	-63	-	-1,705
Sales/disposals	-	-	-	-	-	-	0
Depreciation for the year	-	-5	-12	-89	-8	-	-114
Through acquisitions	-	-	-	-	-	-	-
<b>Closing accumulated depreciation</b>	<b>-</b>	<b>-37</b>	<b>-118</b>	<b>-1,593</b>	<b>-71</b>	<b>-</b>	<b>-1,819</b>
Opening impairment losses	-	-	-	-10	-10	-	-20
Impairment loss for the year	-	-	-	-21	-1	-	-22
<b>Closing accumulated impairment losses, net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-31</b>	<b>-11</b>	<b>-</b>	<b>-42</b>
<b>CLOSING RESIDUAL VALUE ACCORDING TO PLAN</b>	<b>3</b>	<b>79</b>	<b>157</b>	<b>872</b>	<b>17</b>	<b>62</b>	<b>1,190</b>

Group	2021						Total
	Land	Land improvements	Buildings	Machinery	Equipment	Const. in progress/advances	
Opening cost	3	102	248	2,339	94	34	2,820
Acquisitions for the year	-	-	1	26	0	97	124
Sales/disposals	-	-	-	-3	-4	-	-7
Through acquisitions	-	-	-	-	-	-	0
Items transferred during the year	-	3	3	7	3	-15	1
<b>Closing accumulated cost</b>	<b>3</b>	<b>105</b>	<b>252</b>	<b>2,369</b>	<b>93</b>	<b>116</b>	<b>2,938</b>
Opening depreciation	-	-27	-94	-1,420	-56	-	-1,597
Sales/disposals	-	-	-	3	2	-	5
Depreciation for the year	-	-5	-12	-87	-9	-	-113
Through acquisitions	-	-	-	-	-	-	-
<b>Closing accumulated depreciation</b>	<b>-</b>	<b>-32</b>	<b>-106</b>	<b>-1,504</b>	<b>-63</b>	<b>-</b>	<b>-1,705</b>
Opening impairment losses	-	-	-	-10	-10	-	-20
Impairment loss for the year	-	-	-	-	-	-	-
<b>Closing accumulated impairment losses, net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-10</b>	<b>-10</b>	<b>-</b>	<b>-20</b>
<b>CLOSING RESIDUAL VALUE ACCORDING TO PLAN</b>	<b>3</b>	<b>73</b>	<b>146</b>	<b>855</b>	<b>20</b>	<b>116</b>	<b>1,213</b>

**NOTE 12. OTHER FINANCIAL ASSETS**

	Group		Parent Company	
	2022	2021	2022	2021
Participating interests in Group companies	-	-	327	327
Shareholding in Söderhamns Stuveri & Hamn AB (16%) <sup>1</sup>	8	8	-	-
Other long-term receivables	54	51	54	51
Receivables from Group companies	-	-	283	466
<b>Closing residual value according to plan</b>	<b>62</b>	<b>59</b>	<b>664</b>	<b>844</b>

1) The Group's 16-percent holding in Söderhamns Stuveri & Hamn AB refers to unlisted shares. See also Note 6.

Participating interests in Group companies are specified below for the parent company.

Parent company holdings	Corp. ID no.	Reg. office	No. of participating interests	Votes/share of equity %	Book value, parent company	
					2022	2021
Vallvik Mill AB	556445-8163	Söderhamn	415,000	100	101	101
Rottneros Mill AB	556014-4502	Sunne	2,100,000	100	89	89
Rottneros Packaging AB	556307-5356	Stockholm	10,000	100	26	26
Utansjö Mill AB	556012-7994	Härnösand	500,000	100	79	79
SIA Rottneros Baltic	319,171	Latvia	100	100	6	6
Nykvist Skogs AB	556378-8735	Gräsmark	1,000	100	26	26
<b>Total</b>					<b>327</b>	<b>327</b>

Participating interests in Group companies	Parent Company	
	2022	2021
Opening cost	872	872
Acquisitions and capital injections during the year	-	-
<b>Closing accumulated cost</b>	<b>872</b>	<b>872</b>
Opening impairment losses	-545	-545
<b>Closing accumulated impairment losses, net</b>	<b>-545</b>	<b>-545</b>
<b>Closing book value</b>	<b>327</b>	<b>327</b>

#### NOTE 13. PLEDGED ASSETS

	Group		Parent Company	
	2022	2021	2022	2021
<b>Floating charges</b>				
Pledged to Danske Bank	285	285	50	50
Held by the company	305	305	225	225
<b>Shares in subsidiaries</b>				
Pledged to Danske Bank	-	-	-	-
<b>Deeds of trust</b>				
Pledged to Danske Bank	-	-	-	-
Held by the company	379	379	-	-
<b>Total</b>	<b>969</b>	<b>969</b>	<b>275</b>	<b>275</b>

On 31 December 2022, a part of the Group's and the parent company's mortgages were pledged to Danske Bank as security for the Group's bank overdraft facilities of 182 MSEK and for the Group's liabilities relating to currency and electricity price derivative contracts where Danske Bank is the counterparty.

On 31 December 2021, a part of the Group's and the parent company's mortgages were pledged to Danske Bank as security for the Group's bank overdraft facilities of 182 MSEK and for the Group's liabilities relating to currency and electricity price derivative contracts where Danske Bank is the counterparty.

#### NOTE 14 INVENTORIES

	Group	
	2022	2021
Raw materials and consumables	91	69
Spare parts, etc.	107	96
Finished goods inventories	266	180
Impairment, spare parts	-28	-17
Impairment, finished goods inventories	0	-1
<b>Total</b>	<b>436</b>	<b>327</b>

**NOTE 15. ACCOUNTS RECEIVABLE**

	Group		Parent Company	
	2022	2021	2022	2021
Accounts receivable, gross	451	322	-	-
Provision for doubtful accounts receivable	-	-	-	-
<b>Accounts receivable, net</b>	<b>451</b>	<b>322</b>	<b>-</b>	<b>-</b>

Changes in the provision for doubtful accounts receivable are as follows:

	Group		Parent Company	
	2022	2021	2022	2021
Opening balance	-	-	-	-
Receivables written off over the year as uncollectable	-	-	-	-
<b>Closing balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The book values of accounts receivable are the same as the fair values and correspond to nominal amounts. No receivables have been provided as collateral for liabilities or contingent liabilities.

Accounts receivable amounting to 59 (29) MSEK were due as of 31 December 2022, although there was not deemed to be any impairment requirement. These refer to a number of independent customers that have previously not had any difficulties in meeting their payment obligations. These receivables are also covered by credit insurance, which recovers most of any bad debt losses. The ageing of these accounts receivable is as follows:

	Group		Parent Company	
	2022	2021	2022	2021
Accounts receivable that are not due	392	293	-	-
Less than 30 days from due date	57	21	-	-
2 to 3 months from due date	1	7	-	-
3 to 9 months from due date	1	1	-	-
<b>Total</b>	<b>451</b>	<b>322</b>	<b>-</b>	<b>-</b>

	Group		Parent Company	
	2022	2021	2022	2021
USD	258	181	-	-
EUR	75	71	-	-
SEK	118	70	-	-
Other currencies	0	0	-	-
<b>Total</b>	<b>451</b>	<b>322</b>	<b>-</b>	<b>-</b>

**NOTE 16. OTHER CURRENT RECEIVABLES**

	Group		Parent Company	
	2022	2021	2022	2021
Receivables from subsidiaries	-	-	580	236
Emission allowances	68	48	-	-
Other receivables	44	41	1	8
Prepaid expenses and accrued income:				
Prepaid insurance premiums	2	2	1	1
Other prepaid expenses	4	3	1	1
Accrued income	0	0	54	32
<b>Total prepaid expenses and accrued income</b>	<b>6</b>	<b>5</b>	<b>56</b>	<b>34</b>
<b>Total</b>	<b>118</b>	<b>94</b>	<b>637</b>	<b>278</b>

**NOTE 17. CASH AND CASH EQUIVALENTS**

	Group		Parent Company	
	2022	2021	2022	2021
Cash and bank balances	465	161	428	143

None of the cash and cash equivalents were blocked or pledged at the end of the year.

**NOTE 18. Shareholders' equity****Share capital and number of shares**

Group and parent company	Number of shares <sup>1</sup>	Share capital
As of 31 December 2022	152,571,925	153
As of 31 December 2021	152,571,925	153

1) Excluding the parent company's holding of treasury shares.

Average number of shares outstanding 2022	152,571,925
Average number of shares outstanding 2021	152,571,925

All shares are of the class "ordinary shares" and have a quota value of SEK 1 per share. All shares are fully paid up.

The parent company's holding of treasury shares amounts to 821,965 (821,965) ordinary shares, with a total nominal value of 822,000 SEK.

**Share-related incentive programmes**

There were no share-related incentive plans for the Group on 31 December 2022 and 2021.

**Dividend for financial year 2021**

The Annual General Meeting on 28 April 2022 resolved on an ordinary dividend of 0.40 SEK and an extraordinary dividend of 0.20 SEK, in total 0.60 SEK per share, amounting to a total of 91,543,155 SEK.

**Proposed appropriation of profits**

For the 2022 financial year, the Board of Directors will propose to the Annual General Meeting that a dividend be paid.

**Proposed appropriation of profits:**

Retained earnings	148,093,547
Net profit for the year	346,991,935
<b>Total SEK</b>	<b>495,085,482</b>

**The Board of Directors Proposes:**

To be distributed to shareholders	213,600,695
To be carried forward	281,484,787
<b>Total SEK</b>	<b>495,085,482</b>

The Board of Directors has considered the company's financial position, cash flows and future prospects in its proposal for the appropriation of profits. A detailed account regarding the Board of Directors' proposal for a dividend is available on the company's website, [www.rottneros.com](http://www.rottneros.com).

**Management of capital risk**

Rottneros' capital structure objectives are to safeguard the Group's ability to continue as a going concern so that it can continue to generate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to keep the cost of capital down.

The Group may take on new debt, change the dividend paid to shareholders, repay capital to shareholders, issue new shares or sell assets to reduce its debts in order to maintain or adjust its capital structure.

In the same way as other companies in the industry, the Group estimates its capital on the basis of its debt/equity ratio. This ratio is calculated as interest-bearing net debt/cash divided by equity.

The Group's debt/equity ratio was -15.7 (-1.1) percent as of 31 December 2022.

**Hedging reserve in consolidated equity**

	Group	
	2022	2021
Opening balance	112	17
Cash flow hedging:		
Changes in value	726	216
Income tax effect on changes in value	-150	-45
Realised pulp price hedges	58	17
Tax effect of realised pulp price hedges	-12	-3
Realised electricity price hedges	-311	-113
Tax effect of realised electricity price hedges	64	23
Hedging reserve transferred from equity to the income statement	-154	-
Tax effect on transferred hedge reserve	32	-
<b>Closing balance</b>	<b>365</b>	<b>112</b>

**NOTE 19. INTEREST-BEARING LIABILITIES**

	Group		Parent Company	
	2022	2021	2022	2021
Bank loans	102	133	102	133
Lease liability	9	12		
Due for payment:				
Within one year	1	2	-	-
Later than one year but within five years	109	140	102	133
Later than five years	1	3	-	-

**Changes in interest-bearing liabilities**

	Group		Parent Company	
	2022	2021	2022	2021
<b>Opening balance</b>	<b>145</b>	<b>411</b>	<b>133</b>	<b>398</b>
Changes included in cash flow from financing activities:				
Long-term loans taken out from banks	-	150	-	150
Amortisation of long-term loans taken out from banks	-32	-416	-32	-416
Change in credit facilities	-	-	-	-
<b>Total changes included in cash flow from financing activities</b>	<b>-32</b>	<b>-266</b>	<b>-32</b>	<b>-266</b>
Other changes:				
Lease liability	-2	-1	-	-
Accrual of direct costs	-	1	-	1
<b>Total other changes</b>	<b>-2</b>	<b>0</b>	<b>0</b>	<b>1</b>
<b>Closing balance</b>	<b>111</b>	<b>145</b>	<b>102</b>	<b>133</b>

**Bank loans**

In July 2021, Rottneros AB entered into a loan agreement including a loan of 150 MSEK and revolving credit facilities of up to 100 MSEK. The loan agreement matures in two years with an option for extension. In July 2022, the loan agreement was extended to expire in July 2024.

The loan terms contain customary covenants in the form of a net debt to operating profit before depreciation and amortisation ratio of up to 3.25 and a dividend of up to 50 percent of the previous year's net profit. Moreover, loans and utilised overdrafts may not exceed the value of the collateral base, which is 75 percent of the nominal value of trade receivables and 70 percent of the value of inventories. These covenants were fulfilled at the balance sheet date.

The fair value of the loan amounts to 102 MSEK at the balance sheet date.

**Credit facilities**

As at 31 December 2022 and 2021, the Group had not used its overdraft facilities. The Group had unutilised bank overdraft facilities of 182 (182) MSEK on 31 December 2022.

As at 31 December 2022 and 2021, the parent company had not used its overdraft facilities. Unused overdraft facility amounted to 90 (90) MSEK as of 31 December 2022.

Bank overdraft facilities are available denominated in the currencies SEK, USD and EUR. Interest rate on balance sheet date was as follows:

	2022			2021		
Percent	SEK	USD	EUR	SEK	USD	EUR
Bank overdraft facilities	3.77	5.65	3.15	1.10	1.36	0.72

**NOTE 20. ACCOUNTS PAYABLE**

Carrying amounts, by currency, for accounts payable are as follows:

	Group		Parent Company	
	2022	2021	2022	2021
SEK	231	185	2	0
EUR	52	34	-	-
USD	1	1	-	-
<b>Total</b>	<b>284</b>	<b>220</b>	<b>2</b>	<b>0</b>

The book values of accounts payable are the same as the fair values and correspond to nominal amounts.

**NOTE 21. OTHER NON-INTEREST BEARING LIABILITIES**

	Group		Parent Company	
	2022	2021	2022	2021
Liabilities to subsidiaries	-	-	388	224
Tax liabilities	75	6	73	11
Other liabilities	31	24	1	1
Accrued expenses and deferred income:				
Holiday pay liability	28	36	4	3
Social security contributions	18	8	1	1
Payroll liability <sup>1</sup>	15	13	-	-
Raw material cost and input goods	98	94	-	-
Emission allowances	69	47	-	-
Other accrued expenses	97	47	14	9
Future costs of groundwood line <sup>2</sup>	15	-	-	-
<b>Total accrued expenses and deferred income</b>	<b>340</b>	<b>245</b>	<b>19</b>	<b>13</b>
<b>Total</b>	<b>446</b>	<b>275</b>	<b>481</b>	<b>249</b>

1) Includes 6 MSEK related to personnel costs for the decommissioning of the groundwood line.

2) Future costs for demolition and restoration of the groundwood line area.

**NOTE 22. CONTINGENT LIABILITIES**

The Group has contingent liabilities for guarantees amounting to 10 (8) MSEK.

**NOTE 23. DECOMMISSIONING THE GROUNDWOOD LINE****Decommissioning costs**

Impairment inventories	-9
Impairment of fixed assets	-10
Severance payments to employees	-33
Demolition and restoration	-15
<b>Total</b>	<b>-67</b>

**Electricity futures recognised in the income statement as a consequence of decommissioning**

Derivative instruments not representing future cash flows / consumption	165
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With the decision to close the groundwood line at Rottneros Mill AB, the Group had electricity futures that exceeded the estimated consumption for the years 2023 and 2024. In accordance with IFRS 9, the portion of the forward contracts that is not matched by future cash flows is classified as financial items. Including futures taken to hedge the fair value of buy futures.

**NOTE 24. EVENTS AFTER THE END OF THE FINANCIAL YEAR AND OTHER DISCLOSURES**

No significant events after the end of the financial year have been noted that would affect the financial statements as at 31 December 2022.

See the 'Risk' section on pages 65-71 for disclosures about risks faced by the company.

# Declaration by the Board of Directors

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and give a true and fair view of the Group's financial position and performance. The Annual Report has been prepared in accordance with generally accepted accounting principles and gives a true and fair view of the parent company's financial position and results of operations.

The Directors' Report for the Group and the Parent Company gives a true and fair view of the development of the Group's and the Parent Company's operations, financial position and results, and describes significant risks and uncertainties faced by the Parent Company and the companies included in the Group.

Sunne, 20 March 2023

Rottneros AB (publ) corporate identity number 556013-5872

**Per Lundeen**  
Chairman of the Board

**Marie S. Arwidson**  
Board member

**Conny Mossberg**  
Board member

**Roger Mattsson**  
Board member

**Julia Onstad**  
Board member

**Johanna Svanberg**  
Board member

**Jerry Sohlberg**  
Employee representative

**Mika Palmu**  
Employee representative

**Lennart Eberleh**  
President and CEO

Our audit report was issued on 20 March 2023.  
KPMG AB

**Mattias Eriksson**  
Authorised auditor, auditor in charge

# Auditor's report

To the annual meeting of the shareholders of Rottneros AB (publ)  
corporate identity number 556013-5872

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

### Opinions

We have audited the annual accounts and consolidated accounts of Rottneros AB (publ) for the year 2022, except for the corporate governance statement on pages 72-77. The annual accounts and consolidated accounts of the company are included on pages 60-102 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 72-77. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

## REVENUE RECOGNITION

See disclosure 1 and accounting principles on page 86 in the annual account and consolidated accounts for information and description of the matter.

### Description of key audit matter

Net turnover for 2022 amounted to 2 980 MSEK for the Group. Turnover for sales of products are recognized in the income statement when material risks and benefits connected to the products ownership have been transferred to the buyer, which is usually in connection with delivery.

Turnover includes revenue from sales of products and invoiced freights, returns, discounts and pulp price hedging, which are presented excluding value added tax. Conditions for freight regarding the sales transactions can vary between regions/countries/products, where as the ownership can be transferred before the actual delivery of products has taken place. Revenue is recognized at the specific time when ownership is transferred to the client. Invoicing is performed in connection with the delivery. Revenue is recognized to the fair value of what is received or will be received for sold products in the Group's operating activities.

### Response in the audit

In our audit we have evaluated the design and implementation of controls used by the company regarding revenue recognition of products sold.

Furthermore, we have reviewed a sample of contracts in order to analyse relevant key areas in the contracts and evaluate the suitability of the applied accounting rules. We have reviewed a sample of sales transactions before and after year end in order to evaluate if correct conditions have been applied according to the contracts and that risks and benefits have been transferred to the customers.

Through samples, we have also reviewed that revenue is in line with the information in the ERP-system. In addition, we have also verified the safety in the IT-system and that controls exists between the sub-ledger and the general ledger and the ERP-system. This in order for revenue to be accounted for in the correct period of time when ownership have been transferred.

## DECOMMISSIONING OF PRODUCTION LINE

See the management report on page 60, disclosure item 6, 8, 18, 21 and 23 as well as the accounting principles on pages 88-91 in the annual report and the consolidated accounts for detailed information and description of the area.

### Description of key audit matter

The Rottneros Group operates within the market pulp segment. The main operations take place at the two pulp mills, Vallvik Mill and Rottneros Mill. In August 2022, Rottneros announced that one of the production lines, the groundwood line, in Rottneros Mill would be discontinued. As a result of the decision, close-down costs of 67 MSEK are included in the consolidated statements of income for 2022.

As a consequence of the closure of the groundwood line, Rottneros holds electricity price futures that exceed expected future consumption of electricity. For the part of the electricity price futures that exceeds expected future consumption/cash-flow, hedge accounting cannot be applied. The fair value of these electricity price futures has therefore been reported in the income statement as a financial income of 165 MSEK in 2022, of which 154 MSEK has been transferred from the hedging reserve.

### Response in the audit

We have informed ourselves and discussed with management about which assets are affected by the decision to discontinue the groundwood line. We have also discussed significant assumptions, assessments and estimates that have been made to identify commitments and costs attributable to the close-down. For assets, we have assessed the reasonableness of management's valuation assumptions at the lower of acquisition cost and fair value. We have also reviewed a selection of agreements and other supporting documents to assess the existence and completeness of reported costs for the close-down. For remaining expenditure, we have obtained documentation in the form of agreements or other documentation supporting the calculations in order to be able to assess the reasonableness of reported amounts.

For electricity price futures, we have informed ourselves about the group's process to assess how the close-down affects future electricity consumption. We have discussed as well as assessed the reasonableness of the group's assumptions about what proportion of the electricity price futures will not be matched by future electricity consumption. Furthermore, we have obtained information about management's principles and assessments that are the basis for the valuation of the electricity price futures. We have performed sample testing of the valuation to underlying documentation in order to verify the fair value.

We have also evaluated the disclosures in the annual report and whether these gives a true and fair view of the financial effects from the decision to close-down the groundwood line in Rottneros Mill.

**Other information than the annual accounts and consolidated accounts**

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 4-59 and 106-111. The other information comprises also of the remuneration report which we obtained prior to the date of this auditor's report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

**Auditor's responsibility**

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual

accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures that have been taken to eliminate the threats or related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS****Auditor's audit of the administration and the proposed appropriations of profit or loss****Opinions**

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Rottneros AB (publ) for the year 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

**Basis for Opinions**

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

**Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.



**Auditor's responsibility**

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

**THE AUDITOR'S EXAMINATION OF THE ESEF REPORT****Opinion**

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Rottneros AB (publ) for year 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

**Basis for opinion**

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Rottneros AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of the assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

**The auditor's examination of the corporate governance statement**

The Board of Directors is responsible for that the corporate governance statement on pages 72-77 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Rottneros AB (publ) by the general meeting of the shareholders on the 28 April 2022. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2018.

Stockholm den 20 March 2023  
KPMG AB

Mattias Eriksson, Authorized Public Accountant

**AUDITOR'S OPINION REGARDING THE STATUTORY SUSTAINABILITY REPORT****Engagement and responsibility**

It is the board of directors who is responsible for the sustainability report for the year 2022 on pages 41-55 and that it is prepared in accordance with the Annual Accounts Act.

**The scope of the examination**

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

dance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

**Opinion**

A statutory sustainability report has been prepared.

Stockholm den 20 March 2023  
KPMG AB

Mattias Eriksson, Authorized Public Accountant

# Board of directors



## PER LUNDEEN

Chairman since 2016, Chair of the Remuneration Committee and member of the Audit Committee. Independent in relation to the company and management, but not independent in relation to Arctic Paper S.A.

**Education:** M.Sc. (Engineering)  
**Born:** 1955

**Current board assignments:** Chairman of the Board of Arctic Paper S.A., Nilsbyn Invest AB and Nordic Carton AB. Board member, Fiskeby Board AB

**Previous positions:** President and CEO Rottneros, President and CEO Å&R Packaging Group and Å&R Carton AB, Business Area Manager Åkerlund & Rausing Group.

**Shareholding:** 250,000 shares



## JOHANNA SVANBERG

Board member since 2022. Independent in relation to the company and its management and in relation to the company's major shareholders.

**Education:** M.Sc. (Engineering)  
**Current position:** Consultant in sustainability and environment.  
**Born:** 1958

**Current board assignments:** Vice chairman. VSV Frakt AB, Member Vänerexpressen AB, Bright Day Graphene AB, SOMAS Instrument AB.

**Previous positions:** Production Director Nordic Paper/Wermland Paper, Group Manager/ Sales manager Kamyr AB/ Kvaerner Pulping Ltd.

**Shareholding:** 0



## ROGER MATSSON

Board member since 2016, member of the Audit Committee. Independent in relation to the company and management, but not independent in relation to Arctic Paper S.A.

**Education:** MBA  
**Born:** 1973

**Current position:** CFO, Nemus Holding AB  
**Current board assignments:** Chairman of the Board of Nemus Holding AB and Munkedal Skog AB. Board member of Arctic Paper S.A.

**Previous positions:** Group Controller Arctic Paper S.A. CFO Talent Plastics Group

**Shareholding:** 0



## JERRY SOHLBERG

Employee representative since 2020.

**Current position:** Warehouse worker, Rottneros Mill AB  
**Born:** 1989

**Current board assignments:** Chairman of Pappers branch 89 Rottneros Mill.

**Shareholding:** 0



## JIMMY THUNANDER

Employee representative since 2021, deputy

**Born:** 1975

**Current position:** Operations manager, Rottneros Mill AB

**Current board assignments:** Chairman of Unionen Rottneros Mill.

**Shareholding:** 500 shares



## CONNYS MOSSBERG

Board member since 2019, member of the Remuneration Committee. Independent in relation to the company and management, but not independent in relation to Arctic Paper S.A.

**Education:** Forestry technician  
**Born:** 1966

**Current position:** CEO of Munkedal Skog AB.

**Previous positions:** CEO and Vice President of Moelven Skog AB, CEO Are Skog AB.

**Shareholding:** 0



## MARIE S. ARWIDSON

Board member since 2015, Chairman of the Audit Committee. Independent in relation to the company and its management, as well as in relation to the company's major shareholders.

**Education:** MBA  
**Born:** 1951

**Current board assignments:** Member of IVA, the Royal Swedish Academy of Engineering Sciences.

**Previous positions:** CEO of Skogsindustrierna, CEO of Confederation of European Paper Industries (CEPI), Brussels.

**Shareholding:** 0



## JULIA ONSTAD

Board member since 2022. Independent in relation to the company and company management, but not independent in relation to Arctic Paper S.A.

**Education:** Bachelor's degree in design marketing  
**Born:** 1978

**Current board assignments:** Member Munkedal Skog AB Nemus Holding AB and Häfrestöms Företagspark AB.

**Shareholding:** 0



## MIKA PALMU

Employee representative since 2016.

**Current position:** Production coordinator, Vallviks Mill AB.

**Born:** 1975

**Current board assignments:** Chairman of Unionen, branch 23. Vallvik Mill

**Shareholding:** 0



## JÖRGEN WASBERG

Employee representative since 2019, deputy

**Current position:** Operator, Vallvik Mill AB  
**Born:** 1975

**Current board assignments:** Chairman of Pappers branch 106 Vallvik Mill

**Shareholding:** 0

## AUDITORS KPMG AB

Auditor in charge:  
Mattias Eriksson  
Authorised Public Accountant

# Senior executives



**LENNART EBERLEH**  
President and CEO  
**Education:** M.Sc. (Engineering)  
**Born:** 1969  
**Employed since:** 2016  
**Current board assignments:**  
Board member of Skogsindustrierna,  
Paper Province ek. förening, Forest  
Friends AB, Ecopals IP AB.  
**Shareholding:** 251,000 shares



**IDA MÖRTSELL**  
Director HR and Communication  
**Born:** 1984  
**Employed since:** 2014.  
**Shareholding:** 10,200 shares



**MONICA PASANEN**  
CFO  
**Education:** Master of Economics, MBA  
**Born:** 1963  
**Employed since:** 2022  
**Shareholding:** 12,500 shares



**PETER SÄVELIN**  
COO  
**Education:** M.Sc.  
(Chemical Engineering)  
**Born:** 1963  
**Employed since:** 2020  
**Shareholding:** 0



**KASPER SKUTHÄLLA**  
Marketing and Business  
Development Director  
**Education:** Master's degree  
in economics  
**Born:** 1978  
**Employed since:** 2017  
**Shareholding:** 100,000 shares



**NILS HAURI**  
Director of Innovation and  
Strategic Projects  
**Education:** M.Sc.  
(Chemical Engineering)  
**Born:** 1981  
**Employed since:** 2007  
**Shareholding:** 8,000 shares



**JESPER JANSSON**  
Site Manager Rottneros Packaging  
**Born:** 1990  
**Employed since:** 2020  
**Shareholding:** 0



**PÄR SKINNARGÅRD**  
Timber Director Rottneros CEO  
Nykvist Skogs AB  
**Education:** Forestry technician  
**Born:** 1967  
**Employed since:** 2020  
**Shareholding:** 4,850 shares

# Multi-year review

## GROUP PERFORMANCE IN SUMMARY

	2022	2021	2020	2019	2018
<b>Income statement, MSEK</b>					
Net turnover	2,980	2,303	2,093	2,376	2,260
EBITDA	691	385	77	374	394
Depreciation/amortisation and impairment losses	-141	-118	-119	-106	-99
EBIT	550	267	-42	268	295
Financial items (net financial items)	164	-21	-19	-21	-19
Profit/loss after financial items	714	246	-61	247	276
Tax on income for the period	-149	-48	11	-53	-55
<b>Net income</b>	<b>565</b>	<b>198</b>	<b>-50</b>	<b>194</b>	<b>221</b>
<b>Statement of cash flow, MSEK</b>					
Cash flow from operating activities	541	288	85	462	223
Investments in non-current assets	-112	-125	-128	-109	-256
Cash flow after investments in non-current assets	429	165	-46	353	-33
Sale of non-current assets	-	2	3	0	0
Cash flow from financing activities	-125	-334	-3	-214	-56
<b>Net cash flow</b>	<b>304</b>	<b>-169</b>	<b>-46</b>	<b>138</b>	<b>-88</b>
<b>Balance sheet items (MSEK)</b>					
Non-current assets	1,501	1,339	1,285	1,280	1,290
Inventories	436	327	355	375	389
Current receivables	1,020	555	287	342	484
Cash and cash equivalents	465	161	330	376	238
Net debt (+) / net cash (-)	-354	-16	81	35	157
Shareholders' equity	2,256	1,527	1,301	1,380	1,460
Long-term interest-bearing liabilities	111	145	411	411	395
Long-term non-interest-bearing liabilities	323	207	150	176	137
Current interest-bearing liabilities	-	-	-	-	-
Current non-interest-bearing liabilities	732	503	395	406	409
Capital employed	1,902	1,511	1,382	1,415	1,617
<b>Total shareholders' equity and liabilities</b>	<b>3,422</b>	<b>2,382</b>	<b>2,257</b>	<b>2,373</b>	<b>2,401</b>
<b>Key ratios</b>					
EBITDA margin, %	23.2	16.7	3.7	15.7	17.4
EBIT-margin, %	18.5	11.6	-2.0	11.3	13.1
Profit margin, %	24.0	10.7	-2.9	10.4	12.2
Return on equity, %	29.9	14.0	-3.8	13.7	16.6
Return on capital employed, %	32.2	18.5	-3.0	17.7	20.4
Equity/assets ratio, %	66	64	58	58	61
Debt/equity ratio, %	-16	-1	6	3	11
<b>Other</b>					
Average number of employees	319	316	318	303	303
Pulp production, 1,000 tonnes	397.1	395.3	412.6	406.0	393.6
Pulp deliveries, 1,000 tonnes	388.4	403.2	416.5	408.3	382.5
List price of NBSK pulp, USD per tonne <sup>1</sup>	1,404	1,198	843	984	1,167
SEK/USD <sup>2</sup>	10.12	8.58	9.21	9.46	8.69
List price of NBSK pulp, SEK per tonne	14,213	10,280	7,765	9,304	10,144

1) Source: Market quotation once a week. Annual average of weekly records.

2) Source: The Riksbank's yearly average.

# Quarterly data

	2022				2021				2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>Income statement, MSEK</b>												
Net turnover	730	806	784	660	598	570	593	542	490	508	510	585
EBITDA	31	233	254	174	88	130	127	40	-65	32	31	80
Depreciation/amortisation and impairment losses	-30	-49	-34	-29	-30	-29	-30	-29	-30	-28	-29	-32
EBIT	1	185	220	145	58	101	97	11	-95	4	2	48
Financial items (net financial items)	10	156	-1	-1	-1	-11	-4	-4	-4	-5	-5	-5
Profit/loss after financial items	11	341	219	144	57	90	93	7	-99	-2	-3	43
Tax on income for the period	-2	-71	-46	-30	-8	-19	-19	-2	22	0	0	-11
Net income	9	270	172	114	49	71	74	5	-77	-1	-3	-32
<b>Per share</b>												
Earnings per share, SEK	0.06	1.77	1.13	0.75	0.32	0.47	0.48	0.03	-0.50	-0.01	-0.02	0.21
<b>Other</b>												
Pulp production, 1,000 tonnes	87.2	96.2	110.5	103.2	91.4	92.2	109.2	102.5	95.3	110.2	97.7	109.4
Pulp deliveries, 1,000 tonnes	86.5	95.9	106.0	100.0	95.5	92.5	103.2	112.0	106.5	106.9	93.1	110.0
List price of NBSK pulp, SEK per tonne	15,693	15,613	13,589	12,063	11,573	11,557	10,012	8,044	7,382	7,465	8,226	7,988

## Alternative key performance indicators

Alternative ratios are financial measures that are not defined in IFRS and are presented outside the financial statements. Rottneros uses the alternative ratios 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 alternative indicators P/E ratio and Direct yield, which the Company believes are relevant for investors and other readers. Alternative key ratios can be defined in different ways by other companies and therefore may not be comparable with similar measures used by other companies.

### Definitions for IFRS and alternative performance indicators

#### EBITDA

Earnings before interest, taxes, depreciation, and amortisation (operating profit before depreciation/amortisation and impairment losses).

#### EBIT

Earnings before interest and taxes (operating profit).

#### EBIT MARGIN

EBIT as a percentage of net turnover.

#### PROFIT MARGIN

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

#### EARNINGS PER SHARE

Net profit/loss divided by the average number of shares outstanding.

#### 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 less cash and cash equivalents.

#### CAPITAL EMPLOYED

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

#### RETURN ON CAPITAL EMPLOYED

EBIT as a percentage of average capital employed for the year (average of capital employed at the beginning and end of the year).

#### RETURN ON EQUITY (ROLLING 12 MONTHS)

Net income as a percentage of average equity for the year (average of equity at the beginning and end of the year).

#### EQUITY/ASSETS RATIO

Equity as a percentage of total equity and liabilities.

#### DEBT/EQUITY RATIO

Net debt/cash as a percentage of equity.

#### P/E RATIO

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

#### OPERATING PROFIT/LOSS PER SHARE

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

# Glossary

## ANAEROBIC WATER TREATMENT

One of Rottneros Mill's four treatment stages for outgoing wastewater. In the anaerobic stage, materials in the wastewater are broken down and methane gas is produced by bacteria in an oxygen-free environment.

## BCTMP

Bleached Chemi-Thermo-Mechanical Pulp: bleached mechanical pulp where the raw material is impregnated with chemicals. Stronger than TMP. The term is common in North America and Asia (see CTMP).

## BEK

Bleached Eucalyptus Kraft Pulp, bleached eucalyptuspulp.

## BSKP

Bleached Softwood Kraft Pulp, bleached long fibre sulphate pulp.

## BULK

How thick a paper is in relation to its weight. Paper bulk is affected by whether the paper is glossy, coated, or uncoated and by the grammage.

## BENDING STIFFNESS

The ability of the board to resist deformation when bending. Measured in mNm.

## COD

Chemical Oxygen Demand, chemical method for measuring oxygen-demanding substances.

## CIRCULAR FORESTRY INDUSTRY

Growing forests convert sunlight, carbon dioxide and water into wood. The carbon dioxide is bound in the growing trees. When the trees are fully grown, they are harvested. At least two new trees is planted for every tree that is harvested. A use is found for 100 percent of the tree. The highest possible added value determines what is made of the different parts of the tree. Rottneros' raw material consists of pulp wood from forestry and woodchips from different sawmills.

## CTMP

Chemi-Thermo-Mechanical Pulp. Development of TMP, where the mechanical pulp is impregnated with chemicals. Stronger than TMP. The term is used in Europe for both bleached and unbleached pulp.

## ECF

Elemental Chlorine Free. Sulphate pulp bleached using chlorine dioxide, not chlorine.

## E-PULP

Pulp used in electrical engineering applications. The Rottneros product name for E-pulp is Robur Flash E-grade.

## FSC®

Forest Stewardship Council®. Certification for sustainable forest management.

## GHG SCOPE 1

Carbon dioxide emissions from fossil fuels during production in own operations.

## GHG SCOPE 2

Carbon dioxide emissions from electricity and other energy purchased for operations.

## HIGH-YIELD PULP

Groundwood pulp, TMP and CTMP/BCTMP.

## CHEMICAL PULP

Pulp produced by boiling pulp wood with chemicals. The pulp can be bleached to a higher brightness and a higher strength than mechanical pulp. Chemical pulp is usually sulphate pulp, but can also be sulphite pulp.

## SHORT FIBRE PULP

Pulp where the raw material is hardwood, which has shorter cellulose fibre than softwood.

## LIGNIN

Polymer compound consisting mainly of phenyl-propane units; the main binding agent for wood fibre. About 1/3 of the wood is lost.

## Lost Time Injury Frequency Rate (LTIFR)

is the number of accidents with sick leave per million hours worked.

## LONG-FIBRE PULP

Pulp where the raw material is softwood, which has longer cellulose fibre than hardwood.

## 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 by integrated paper and board mills or used internally within a group.

## MECHANICAL PULP

Pulp produced using a mechanical process for fibre separation and processing. Has a higher level of bulk, stiffness and opacity than chemical pulp. Groundwood pulp, TMP and CTMP/BCTMP are types of mechanical pulp.

## NBSK

Northern Bleached Softwood Kraft, bleached long-fibre sulphate pulp.

## NORD POOL

Nordic electricity exchange launched in 1996 by Sweden and Norway. Member countries now include Denmark, Finland and Estonia.

## OPACITY

Lacking transparency.

## PEFC

Programme for the Endorsement of Forest Certification. Certification for sustainable forest management.

## PFAS

Collective name for fluorinated substances.

## PIX

Pulp price index.

## POROSITY

Measure of the permeability of gas or liquid through a material. Used as a measure the filtering properties of the pulp.

## RESIDUAL MIX

The mix of electricity produced, divided into renewable electricity, nuclear electricity and fossil-fuelled electricity remaining after sales of electricity with guarantees of origin. The environmental impact of the residual mix is measured as CO<sub>2</sub> emissions per kWh.

## GROUNDWOOD PULP (SGP)

Stone Groundwood Pulp. Mechanical pulp based on roundwood as a raw material.

## SHIVES CONTENT

Proportion of unseparated fibres found in the pulp.

## SULPHATE

Method for producing chemical pulp.

## SULPHITE

Like sulphate, but with different cooking techniques, different chemicals and different chemical recovery.

## TCF

Totally Chlorine Free: totally chlorine-free bleached sulphate pulp.

## TMP

Thermo-Mechanical Pulp: mechanical pulp produced using a technique in which the chips are preheated with steam, but without chemicals.

## UKP

Unbleached Kraft Pulp. Unbleached sulphate pulp.

# Annual General Meeting

Rottneros AB (publ), Corp. ID no. 556013-5872, with registered office in Sunne, has convened the Annual General Meeting on Thursday 27 April 2023 in Sunne.

The complete notice is published in Post- och Inrikes Tidningar and is available on the company's website, [www.rottneros.com](http://www.rottneros.com).

## ENTITLEMENT TO ATTEND, REGISTRATION AND POSTAL VOTING

To be entitled to participate in the meeting, shareholders must

- a) be entered in the share register maintained by Euroclear Sweden AB on Wednesday 19 April 2023, and
- b) have notified the company of their intention to participate so that the company receives notification no later than Thursday 20 April 2023. The notification, and, where applicable, a completed postal voting form, shall be sent to Rottneros AB (publ), c/o Setterwalls Advokatbyrå AB, Box 11235, 404 25 Göteborg. The above may also be submitted electronically and should be sent to: [rottneros@setterwalls.se](mailto:rottneros@setterwalls.se).

The notification must state the shareholder's full name, personal identification number or corporate identification number, shareholding, address and daytime telephone number. If the shareholder is to be represented by a proxy, the number (maximum two) must be stated. A postal voting form is valid as registration for the general meeting.

## PROXY AND AUTHORISATION

If shareholders intend to be represented by a proxy, a power of attorney and other authorisation documents should be attached to the notification. If they have not been sent in advance, they must be produced at the meeting on request.

## NOMINEE REGISTERED SHARES

In order to be entitled to participate in the Annual General Meeting, shareholders with nominee-registered shares must temporarily re-register their shares in their own name. Shareholders who wish to re-register their voting rights must notify their nominee well in advance of 21 April 2023. The re-registration must be completed with Euroclear Sweden AB on 21 April 2023.

Postal voting and proxy forms are available on the company's website.

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ROTTNEROS