

# PULP IS OUR PASSION

ROTTNEROS ANNUAL REPORT 2014

**NEW STRATEGIC  
ACTION PLAN**  
AGENDA 500

**FOCUS ON  
SELECTED NICHES  
& EXPANSION**

**FASTER PACE  
FOR PRODUCT  
LAUNCHES**



# THE WAY FORWARD

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

## OBJECTIVE

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

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

#### → INCREASED PRODUCTIVITY

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

#### → INCREASED PRODUCTION VOLUME

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

#### → IMPROVED SAFETY

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

#### → SKILLS DEVELOPMENT

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

#### → THE LEADER IN SERVICE

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

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# THE YEAR IN SUMMARY

# 2014

## FOCUS 15 delivered

**THE CHANGE PROGRAMME** initiated in the autumn of 2013, Focus 15, made an important contribution to the Group's improved performance.

## SEK 118 M operating profit

**AN IMPROVEMENT** of SEK 180 million compared with the previous year's earnings, excluding items affecting comparability.

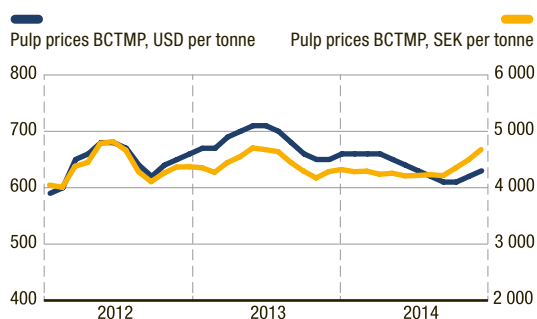
## NEW CEO and President

**PER LUNDEEN** took office as the new CEO and President in November.

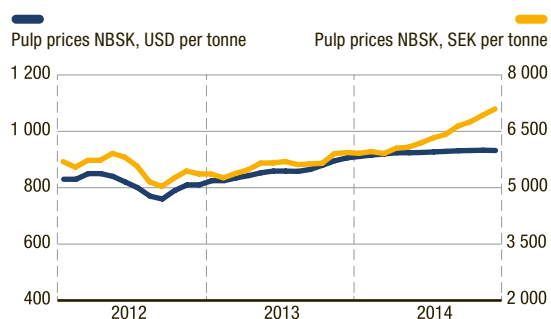
## 1,375 TONNES per employee and year

**PULP PRODUCTION** per employee increased by six per cent to 1,375 tonnes per employee and year. Total production amounted to 345,000 tonnes, an upswing of three per cent.

### PULP PRICES BCTMP IN USD AND SEK



### PULP PRICES NBSK IN USD AND SEK



### US DOLLAR RATES



### INCOME

SEK million	2014	2013	Difference
Net turnover	1,547	1,389	158
Operating income	118	-154	272
Operating income excl. items affecting comparability	118	-62	180
Income after net financial items	114	-158	272
Income after tax	133	-158	291



# CUSTOMISED PULP FOR THE MARKET

**1,547**

SEK MILLION TURNOVER

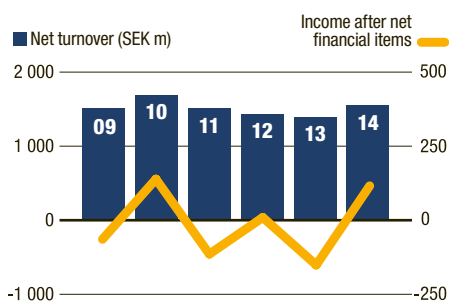
**251**

EMPLOYEES

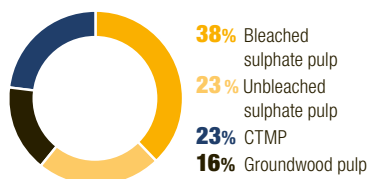
**345,000**

TONNES PULP PRODUCTION

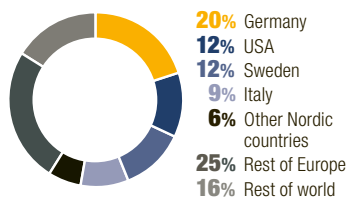
## NET TURNOVER AND INCOME



## THE GROUP'S PRODUCTS, DELIVERY VOLUME DISTRIBUTION



## GEOGRAPHICAL DISTRIBUTION OF TURNOVER



## ROTTNEROS IN FIGURES

SEK million	2014	2013	2012	2011	2010	2009
Net turnover	1,547	1,389	1,437	1,513	1,684	1,508
Income after net financial items	114	-158	6	-120	138	-69
Investments in fixed assets	59	35	51	157	125	10
Average number of employees	251	256	275	298	308	387
Production per employee (Ktonnes)	1.4	1.3	1.2	1.1	1.0	0.9

## RATIOS

	2014	2013	2012	2011	2010	2009
Equity/assets ratio	77	71	77	75	82	78
Return on capital employed	12.4	Neg.	Neg.	Neg.	11.6	Neg.
Return on equity	13.6	Neg.	Neg.	Neg.	10.8	Neg.
Operating margin	7.6	-11.1	0.4	-7.8	8.2	-11.0

## SEK/SHARE

	2014	2013	2012	2011	2010	2009
Share price 31 Dec	3.74	1.99	2.00	2.11	4.37	6.90
Equity per share <sup>1</sup>	6.38	5.41	6.51	6.65	8.05	7.14
Earnings after tax per share <sup>1</sup>	0.87	-1.04	-0.09	-0.95	0.82	-2.59
Operating cash flow/share <sup>1,2</sup>	0.35	0.06	0.03	-0.74	0.51	2.74
Dividends <sup>1,3</sup>	0.40	-	-	-	0.20	-

<sup>1</sup> There was a reverse share split in April 2010 where ten existing shares were combined as one share. The comparison periods have been adjusted for this reverse split.

<sup>2</sup> Cash flow after normal investments, but excluding strategic investments.

<sup>3</sup> Proposed dividend for 2014.

## ROTTNEROS MILL

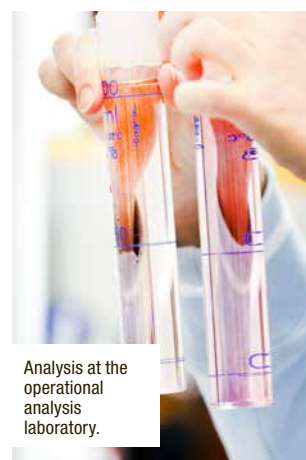
Chemi-Thermo-Mechanical Pulp (CTMP) and groundwood pulp, which are High Yield grades of pulp, are manufactured at Rottneros Mill.



Pulp bale in baling line.

## VALLVIK MILL

Long-fibre sulphate pulp, fully bleached sulphate pulp (EOF – Elemental Chlorine Free) and unbleached sulphate pulp (UKP – Unbleached Kraft Pulp) are manufactured at Vallvik Mill.



Analysis at the operational analysis laboratory.

# ROTTNEROS MILL

Pulp deliveries  
(thousand tonnes)



**HIGH YIELD PULP**

125069.1

**88**  
employees

Rottneros

## GROUND-WOOD PULP



Bleached/unbleached



Board



Printing and writing paper



Tissue paper

Production (tonnes)

2014

**52,800**

2013

**53,200**

-1%

## CTMP



Bleached/unbleached



Board



Tissue paper



Printing and writing paper



Filters

Production (tonnes)

2014

**80,800**

2013

**71,700**

+13%

## CTMP



Bleached



Printing and writing paper



Fine paper

# VALLVIK MILL

Pulp deliveries  
(thousand tonnes)



**CHEMICAL PULP**

151  
employees

Rottneros

## LONG-FIBRE SULPHATE



Bleached



Printing and writing paper



Tissue paper

Production (tonnes)

2014

**123,300**

2013

**153,700**

-20%



Board



Filters

Unbleached



Kraft paper



Filters



Electrical insulating material

Production (tonnes)


2014

**88,000**

2013

**54,800**

+61%



“As we look forward, we will continue to focus on our niche strategy with products that have a high value content for our customers.

## COMMENTS BY THE PRESIDENT

# CONTINUED FOCUS ON OUR NICHE STRATEGY

2014 was a strong year for the Rottneros Group. Profit before tax was SEK 114 million, an improvement of SEK 180 million, adjusted for the major one-off costs charged to earnings in 2013. The earnings trend was mainly the result of both currencies and pulp market prices going our way. At the same time, our internal improvement programme Focus 15 produced results as planned, making a significant contribution to earnings. We will see further effects in 2015 when the programme has full impact throughout the year.

### PROFITABLE EXPANSION

The successful efforts to fine-tune the Group highlight the long-term development potential at Rottneros. Several planned measures to increase capacity were carried out during the autumn maintenance shutdown at our mills. As a result, both Vallvik and Rottneros set new records for production in a single day in December. As we look forward, we will continue to focus on our niche strategy, as well as on profitable expansion over the next few years.

I took over as acting CEO in November of 2014, after serving on the Rottneros Board of Directors since 2013. I believe in continuity, but also in the development of a larger, more efficient company. The Rottneros Group has a number of strengths on which it can build. In many cases, our pulps are leaders for a certain application and a significant proportion are highly specialised. These applications include filters, electrical insulation materials, paperboard and tissue, all of which

are areas with stable or growing demand.

When I served on the Board, I dedicated a considerable amount of time to formulating and following up on the Focus 15 programme. It is therefore extremely rewarding to see the clear effects it has produced in both production volumes and efficiency over the past year. We will also see additional effects in 2015 when the improvement programme will have full impact throughout the year.

### NEW STRATEGIC ACTION PLAN

Since I took office, a long-term strategic development and action plan called Agenda 500 has been formulated for both Vallvik Mill and Rottneros Mill. This programme will strengthen and develop Rottneros. As we look forward, we will continue to focus on our niche strategy with products that have a high value content for our customers, a successful marketing strategy that has guided Rottneros for several years. We are now also investing in efficient expansion over the coming years in order to eliminate bottlenecks in our mills, which will increase both capacity and productivity.

The underlying analysis to invest and increase capacity builds on our conviction that Rottneros has tremendous potential to compete in the market through its niche strategy and independent position. The long-term trends in the various markets speak both for and against pulp mills. However, I tend to make a distinction among the trends based on the areas in which the pulp is used. If the end product serves a physical purpose, such as packaging, electric insulation, filters



**PER LUNDEEN**  
took office as the new CEO  
and President in November.

or tissue products, there is underlying growth. The powerful structural shift to digital media is associated with a continued drop in demand for paper that provides information. We are concentrating our future expansion mainly on end products such as packaging, paper for electrical insulation, filters and tissue products. These areas are all growing in line with GDP or faster, mainly driven by emerging markets such as China and India.

#### **HIGH LAUNCH RATE**

We expect to maintain a high pace of launching new products. We will highlight the competitive advantages of our different types of pulp, especially at Rottneros Mill, which produces a variety of High Yield pulps. This mill has great potential for producing niche qualities in limited volumes since production changes are relatively quick without expensive loss of production.

At Vallvik Mill, several characteristics make our chemical pulp a market-leading product, with additional potential for niche segments. This mill offers a purity which after many years of development maintains a world-class standard that is suitable for purposes such as electrical insulation materials. Vallvik Mill also has a competitive advantage because of the unique characteristics provided by flash-dried pulp. Only a few mills in the world produce flash-dried pulp and the method yields an end product with high air permeability, which is necessary for purposes such as filter manufacturing.

#### **STRONG MARKET POSITION**

Another priority for 2015 is to strengthen our market organisation. As a first step, we are adding resources to strengthen our technical skills support in dialogue with both current and potential customers. The highly relevant example of a more proactive approach to marketing is this autumn's successful launch of the groundwood pulp Absorption Express, which is used for tissue production. Customers are attracted by the high absorbency of the pulp, which also commands a lower price than the competition.

As part of our marketing initiative we are strengthening cooperation between our mills in order to realise potential synergies by leveraging the advantages resulting from our customers having their focal points on different continents. Rottneros will be perceived as a Group with a product offering and sales efforts should focus on customer groups and pulp applications. Our two mills with their different production processes are an asset and broaden our product offering.

#### **ACTIVE SUSTAINABILITY EFFORTS**

As a natural part of our operations we actively work with responsibility and sustainability issues throughout the value chain. Each step of our production and distribution systems aims to minimise adverse effects on the environment and everyone affected by operations at Rottneros. We aim to have good communication with everyone affected by our activities: customers, shareholders, employees, suppliers and our world at large. Important issues related to both sustainability and

financial performance include resource utilisation, such as how we use and ensure access to raw timber and its background, energy efficiency, and that we offer our employees a safe working environment.

#### **STRONG COMMITMENT**

The Rottneros Group has a long history and belongs to the core of basic industry in Sweden. Our dedicated employees are passionate about running and developing the business. Their dedication also made it possible to implement Focus 15 and I would therefore like to express my warmest thanks to all employees for their efforts during the year.

As a result of both the earnings trend and the structural business transactions in recent years, Rottneros has become a financially strong company with no external loans. We are therefore pleased that the Board of Directors of Rottneros AB has proposed that the Annual General Meeting resume payment of dividends to our shareholders.

For the future, I can say that we have a strong starting position in 2015, mainly due to a strong dollar and our increasingly efficient production. However, the year has begun with a slightly weaker pulp market. I confidently look forward to the coming year and the strategically important development steps that lie ahead.

**Per Lundeen**  
CEO and President



# FOCUS ON SELECTED NICHES AND OPTIMISED PRODUCTION

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

## PROFITABLE GROWTH OVER A BUSINESS CYCLE

Rottneros will demonstrate sustained profitability over a business cycle. A precondition for this is that the Group generates profitable growth.

This will be achieved by:

➔ **Focus on selected niches** where Rottneros belongs to the market leaders and thereby has the capacity to achieve competitive advantages. Sales will be concentrated in those market segments where Rottneros has the prerequisites to offer customers clear added value with high-quality and customised products.

Rottneros focuses its expansion primarily in the following segments:

- Electrical applications, where the high purity of our pulp gives us a competitive edge.
- Filters for the food and automotive industry, where the porous qualities of our pulp (air permeability) are very important for the quality of the end product.
- Board and food packaging, where the bulking properties of the pulp increase the stiffness of the board.

- Tissue products, using both chemical and High Yield pulps.
- Thin printing paper, where the density of our pulp makes the paper less transparent.

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

➔ **Increased production volume.** A planned capacity expansion will eliminate bottlenecks at the mills over the next few years.

## THE LEADER IN SERVICE

Customers should perceive Rottneros as the leader in service.

Rottneros will offer service of the highest quality, characterised by competence and customer focus. We will provide know-how on how the Group's products can be used to improve customers' end products within our chosen segments. We will also, in cooperation with our customers, offer the opportunity to customise our products so that they are optimised for our customers' needs.

Finally, Rottneros will consistently maintain high supply reliability as well as technical support of the highest quality.

## SAFETY

Our objective is to have no sick days owing to work-related incidents.

Clear roles and responsibilities as well as concrete action plans ensure the safety of our employees. The Group also works to develop skills with the aim of having dedicated, safety-conscious employees.

Good order reduces the number of incidents and helps to increase accessibility and raise productivity.

## FINANCIAL OBJECTIVES

Rottneros' overall long-term financial objectives are to pay a competitive dividend to shareholders in the form of both value development and dividend yield.

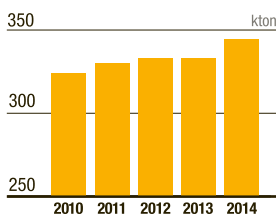
### RETURN

➔ Profitability (measured as return on capital employed) shall exceed the profitability for comparable pulp producing companies.

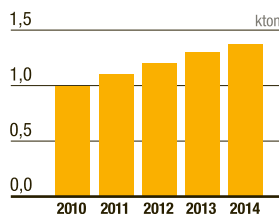
### DIVIDEND POLICY

➔ Dividends shall be adapted to Rottneros' performance level, debt/equity ratio, financial status, future development opportunities and investment needs. Our capacity to pay dividends should be viewed over an entire business cycle rather than for an individual year. Dividends may consequently be restrained in good years so that it is possible to pay dividends in years where results are weaker.

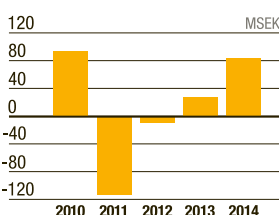
### PRODUCTION



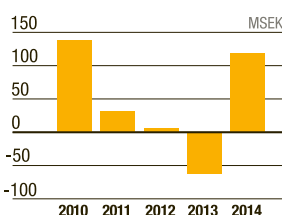
### PRODUCTION PER EMPLOYEE



### CASH FLOW AFTER INVESTMENTS



### OPERATING INCOME BEFORE ITEMS OF A ONE-OFF NATURE







## VISION

Rottneros shall be perceived as a market leader that is able to meet the needs and high expectations of pulp customers.

## MISSION

Rottneros' business concept is to be an independent, flexible supplier of customised and high-quality market pulp. Rottneros shall meet the needs of its customers by actively developing its products and providing an attractive service offering.

## OBJECTIVES & STRATEGIES

Rottneros' overall objective is to achieve sustainable profitability and yield a good return for the Group's shareholders.

This growth will be generated by:

- Focus on selected niches
- Increased productivity
- Increased volume
- The leader in service
- Improved safety

## BUSINESS MODEL

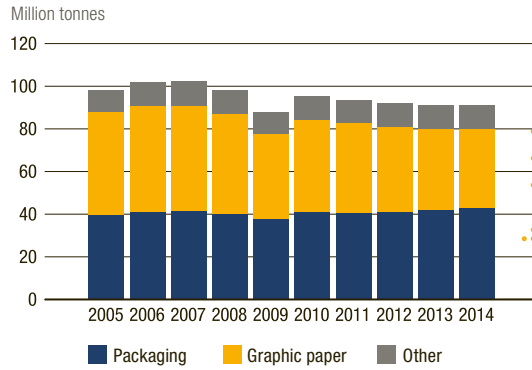


# MARKET FACTS

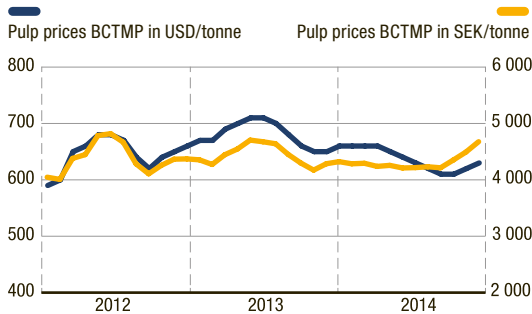
“ Board manufacturing will increase, primarily in the rapidly developing Asian markets.

“ Rottneros aims to be the market leader for pulp production in niche areas such as pulp for the manufacture of different types of filters.

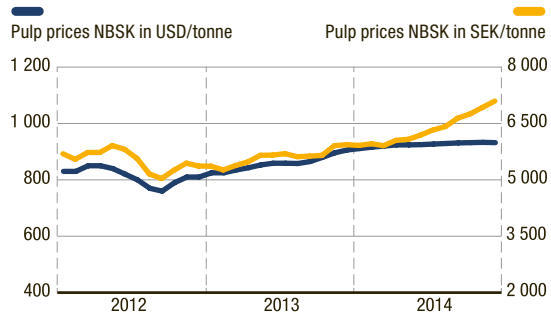
## PRODUCTION OF PAPER AND CARDBOARD IN EUROPE



## PULP PRICES BCTMP IN USD AND SEK



## PULP PRICES NBSK IN USD AND SEK



## MARKET

# ROTTNEROS AND THE MARKET

The Rottneros Group is an independent and flexible producer of high-quality chemical and High Yield pulp. The Group operates in the market pulp market, where the pulp produced is sold to customers throughout the world. Europe and the United States represent the main focus of Rottneros' sales, and certain Asian markets.

Almost 170 million tonnes of pulp are produced worldwide every year. About two thirds of this volume are manufactured at integrated paper and board mills. The remaining third (approximately 60 million tonnes per year) comprises market pulp.

Overall, one third of the market pulp is used to manufacture printing paper, one third to manufacture tissue paper, while the remaining third is used for applications such as packaging.

Rottneros aims to be the market leader for pulp production in niche areas such as pulp for the manufacture of different types of filters and also 'e-pulp', where the end product is used for electrical insulation in, for example, transformers and high-voltage submersible cables. The Rottneros Group produces extremely pure

pulps that meet customers' high standards for pulp for these niche areas.

Rottneros also leads the field within a third and larger market segment: pulp for board manufacture, where customers impose high requirements for flexural rigidity and surfaces for printing.

Groundwood pulp from Rottneros Mill represents a competitive alternative within the 'fine printing paper' market segment, particularly where there are high requirements for opacity (i.e. paper that is not transparent), as well as for tissue paper and board.

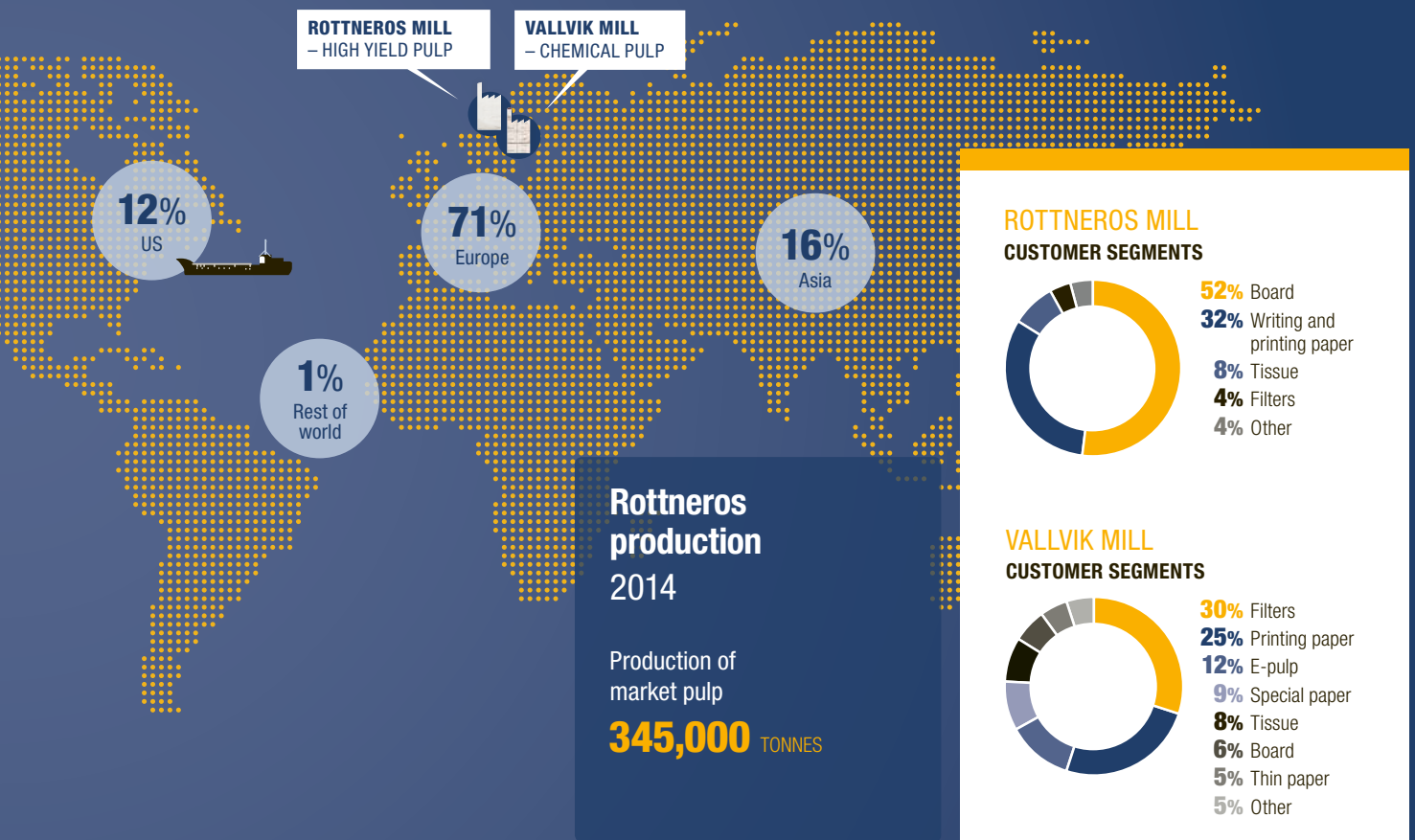
Combined market pulp production for the Rottneros Group amounted to 345,000 tonnes in 2014.

### MARKET REVIEW

#### The global market

The slow recovery in the global economy had a positive impact on the pulp market in 2014, with China and the US as economic engines, though economic growth in Europe remained weak. As a result of the structural changes in which digital media are capturing market share from printed products, consumption of pulp

# ROTTNEROS ON THE MARKET



for graphic papers continued to decline in the mature industrial countries during the year, while slowing growth in other markets. Demand for pulp for tissue paper was stable in North America and Europe, but grew in emerging markets. Global demand for chemical market pulp rose in 2014 by about one per cent. Demand in Europe declined slightly, while in North America it remained at the same level as in 2013. Deliveries to Asia increased by two per cent.

Annual market pulp consumption in Europe (predominantly chemical pulp) accounts for approximately 18 million tonnes of market pulp, which is more than twice as much as consumption in North America. Nearly half of all pulp is consumed in Asia, where the Chinese market is rapidly growing. China is now the largest consumer of market pulp worldwide as a result of improved living conditions for large parts of the population.

In terms of products, bleached sulphate pulp made from softwood or hardwood dominates the market pulp market. The demand for short fibre pulp has increased,

an upswing that has been partly covered by the plantation-based eucalyptus mills in the southern hemisphere.

The demand for chemical pulps is increasing, while demand for High Yield pulps such as CTMP (Chemi-Thermo-Mechanical Pulp) and groundwood pulps (SGP, Stone Groundwood Pulp) has declined, except in Asia.

## Europe

The Group is highly dependent on trends in the European market, which accounts for three quarters of all sales. The main focus of our sales organisation is consequently on meeting the demands of this market.

The demand for market pulp continued to fall in Europe in 2014. Pulp for graphic paper in particular saw shrinking demand. Demand for production of graphic paper has decreased by almost four per cent annually since the financial crisis of 2008–2009. However, the packaging sector continues to grow, where the Rottneros Group's High Yield pulps for primarily board manufacture have been found to be of particular interest. Demand for tissue paper has also increased in recent years.

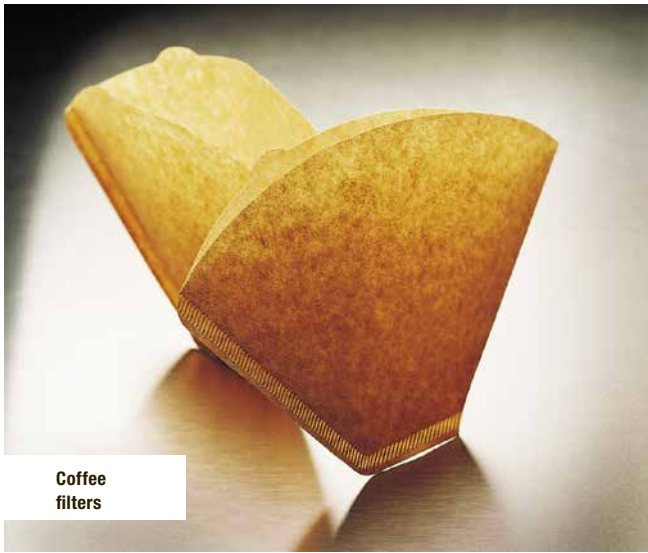
## Asia and the US

The non-European markets account for just over a quarter of sales for the Rottneros Group, comprising High Yield pulp for India and Indonesia, and chemical pulp for the northeastern US.

## LONG-TERM IMPETUS AND TRENDS

The markets for global pulp producers are currently shifting, both in terms of products and geographically. There is a trend towards increasing production of pulp for board and tissue paper and decreasing pulp production for graphic paper, while shifting focus from markets in the west to markets in the east. These trends are due to rapid industrial growth and rising living standards in Asia. Asian producers are currently manufacturing increasing volumes of consumer products, industrial components and systems for both domestic markets and export. The concentration of industrial production leads to an ever increasing volume of products that need to be transported. Products are packaged for consumers and packed in a manageable way for transportation, which increases the demand for board.





Coffee filters



Robur Flash



Board

In parallel, demand for graphic paper in Europe and the western world is decreasing. This decrease in demand is largely a consequence of changed consumption patterns, where the Internet is replacing newspapers and printed matter as channels for marketing and obtaining information. For pulp producers, this trend will lead to continued readjustments and a search for new customer segments and product niches in the coming years.

#### DEVELOPMENT OF DEMAND

The demand for graphic paper will continue to decrease in the years to come, while the demand for tissue paper is expected to be stable in the developed countries while increasing in the emerging markets. The Group is of the opinion that board manufacture will increase, primarily in the rapidly developing Asian markets. Further economic development in China will be of great importance for demand over the next few years.

For the Rottneros Group this implies adapting to the decreased demand for graphic paper and focusing on board and tissue paper, as well as on those

particular niches where the Group's high quality pulps meet the high standards of customers. The Group aims to take a strong market position within selected niches by making use of its competence and know-how, in terms of both technology and production, instead of competing on price. This requires a close relationship with customers and great knowledge of the customers' operation and needs, both of which make the technical sale additionally important.

One important niche area is pulp for manufacturing different kinds of filters, both for the automotive industry and for consumer products. Another niche area is pulp used to manufacture paper for electrical insulation. Rottneros can currently offer extremely pure types of pulp that are well-suited for these areas. As regards pulp for electrical applications, the continued industrialisation of Latin America and Asia is contributing to growing demand, as is the expansion and modernisation of power grids in Europe and the US.

#### PRICE TRENDS

In 2014 global production capacity for

chemical pulp increased faster than demand, while industry's capacity utilisation fell from 93 to 91 per cent. The market balance was better for long-fibre than for short-fibre pulp. NBSK prices rose by about another three per cent, leveling off in the fourth quarter at around USD 930. Translated into SEK, NBSK rose by an impressive 20 per cent, thanks to the weakening of the SEK against the USD. The price of short-fibre pulp was under pressure during most of the year, though it picked up again in the autumn to a level of about USD 740 at year-end, which was still 4 per cent lower than at the beginning of the year.

#### ROTTNEROS MILL

##### Market

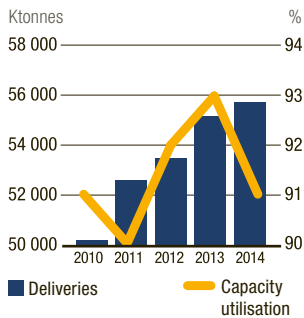
In 2014, Rottneros Mill's largest markets for High Yield pulps were Asia, Italy, Germany and Sweden.

Global demand for High Yield pulp declined by about one per cent. Deliveries to Europe fell by about 5 per cent. Deliveries to Asia increased slightly, thanks to continued strong growth in the Chinese market, which will soon account

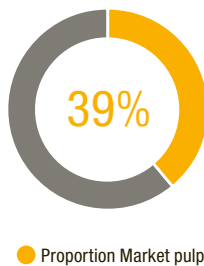


## CHEMICAL PULP

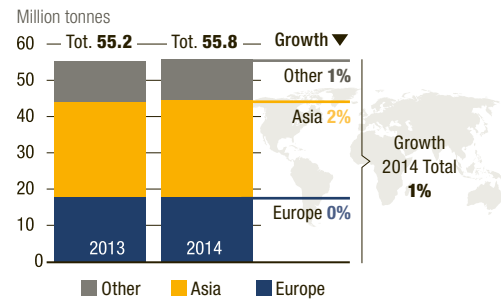
### DEMAND AND CAPACITY UTILISATION 2010–2014, MARKET PULP



### PULP CAPACITY – WORLDWIDE

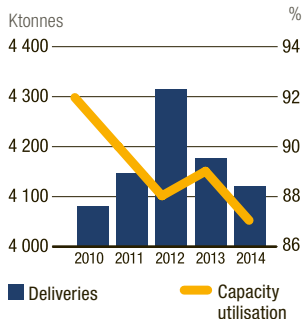


### DELIVERIES OF CHEMICAL MARKET PULP – WORLDWIDE

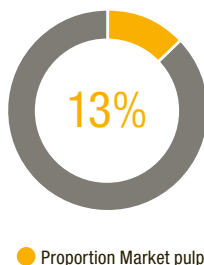


## HIGH YIELD PULP

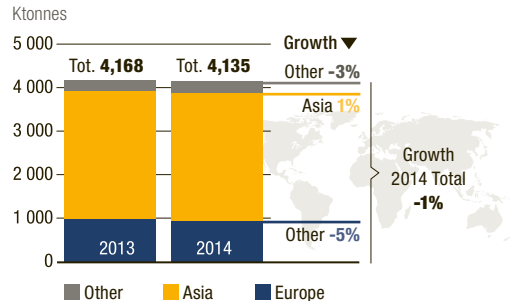
### DEMAND AND CAPACITY UTILISATION 2010–2014, MARKET PULP



### PULP CAPACITY – WORLDWIDE



### DELIVERIES OF HIGH-YIELD PULP – WORLDWIDE



for half of the consumption of High Yield market pulp worldwide.

Capacity utilisation was 87 per cent, two percentage points lower than in 2013. The price trend for BCTMP essentially followed that of chemical short-fibre pulp during the year.

Interest in groundwood pulp increased during the year. Groundwood pulp has certain benefits in terms of quality for a number of applications, for example when good printability, high bulk or good absorption are required.

#### Competitors

Globally, the largest manufacturers of High Yield pulps are in Canada, with manufacturers such as Tembec, Canfor, Millar Western and West Fraser.

#### VALLVIK MILL

##### Market

Long-fibre bleached pulp (NBSK – the type of pulp produced at Vallvik Mill) accounts for just over half of the volume of the total market for bleached chemical market pulp (approximately 53 million tonnes). Despite a slight downturn in

demand, the market for this kind of paper pulp was balanced during the year with producer stocks at a comparatively low level, corresponding to 27 days' production, which resulted in a favourable price trend.

Europe is Vallvik Mill's main market. In 2014 Germany and Sweden were the largest recipient countries. In the rest of the world the US comprised the largest market.

Vallvik Mill is continually working to reduce dependency on the declining graphic paper market by increasing its focus on niche segments, such as the production of e-pulp, filter pulp and pulp for packaging grades.

Exports to the US (mainly pulp intended for filter products for the automotive industry) are firstly facilitated by access to cost-effective maritime transport from the deep harbour at Vallvik Mill to a terminal in Albany on the Hudson River, and secondly a high quality for the special pulp demanded by customers. Vallvik Mill is the world leader in this particular field.

A number of purchasers of pulp for filters have long customer relationships

with the Rottneros Group. It is not just the consistent and high quality of the pulp that is decisive for customers in both the US and Europe, but also the assurance that Rottneros can offer in the form of service, technical customer service, stock and logistics solutions. The Rottneros Group has also built up credibility through its continual presence in the market despite the prevailing state of the business cycle.

#### Competitors

Overall supply in the market affects the situation more than individual competitors. Vallvik Mill's competitors in chemical pulps are mainly Swedish and Finnish producers, such as Södra, UPM, SCA, Billerud Korsnäs and Munksjö.

**VALLVIK MILL****ROTTNEROS MILL**

## PRODUCTS AND PRODUCTION

# ROTTNEROS – MARKET LEADER WITHIN ITS NICHE

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 competitive advantage that represents a potential to become a market leader.

Production amounted to 345,000 tonnes in 2014 and deliveries to 344,200 tonnes. Rottneros Mill set new monthly and annual records for the CTMP line during the year. Vallvik Mill beat its own previous daily production records during the latter part of the year.

The Rottneros Group has a clear ambition to increase the share of sales going to end products in markets that show growth. This objective will be accomplished by developing both existing and new niches. Rather than competing on price, the Group aims to apply its technical expertise to capture a strong market position within selected niches.

The pulp used to manufacture filters for various purposes and the extremely pure e-pulp, which can be used as insulation in various electrical applications, are two examples of niches in which the Group is among the leading producers worldwide. Today only a limited number of manufacturers in the world are competing in the market for these types of pulps.

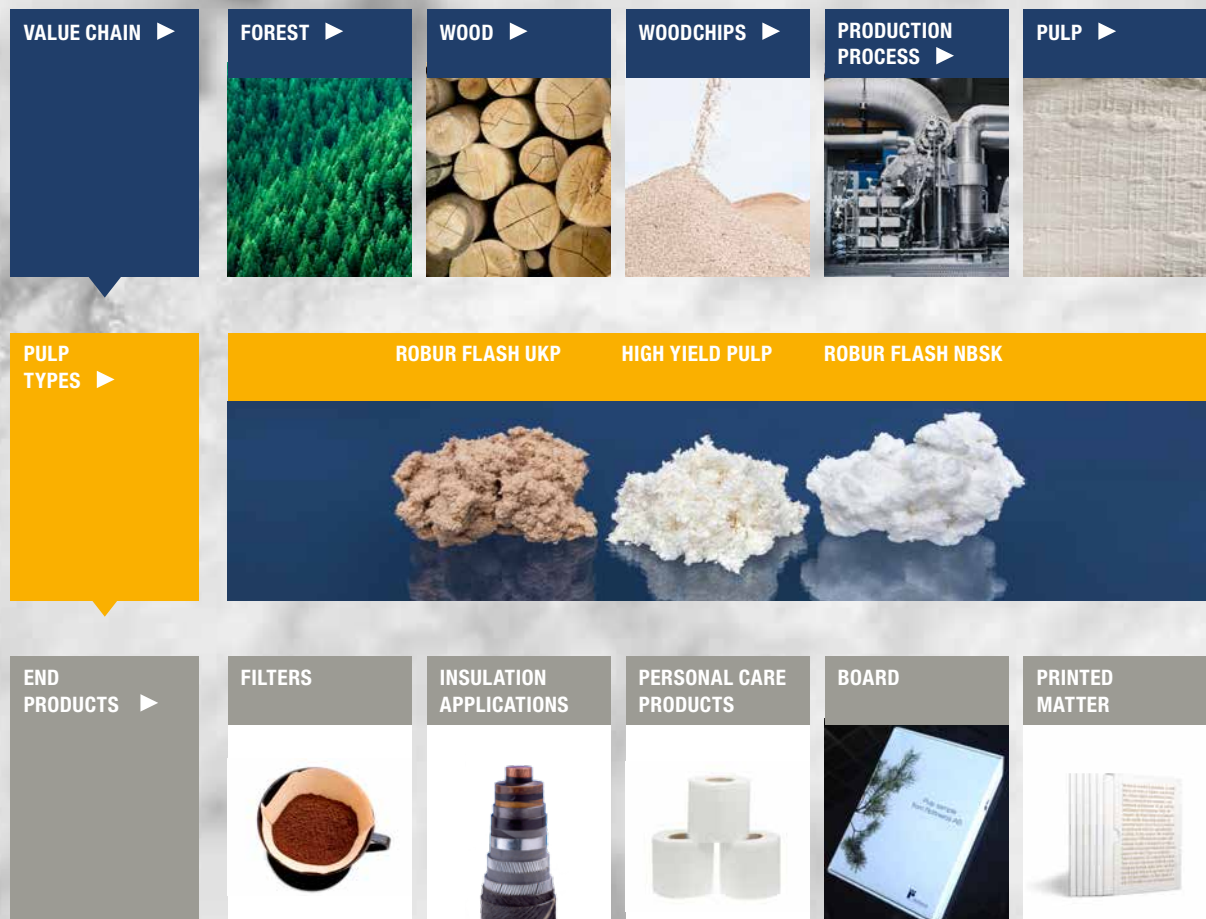
Another example of a product where Rottneros can deliver value to its customers is High Yield pulp suitable for board manufacturing. Demand is increasing in this niche, especially in the Asian market. Pulp for board production accounted for over 50 per cent of Rottneros Mill's production in 2014. The corresponding figure at Vallvik Mill was 7 per cent.

Absorption Express, Rottneros' newly developed high-yield pulp for tissue paper, is another example of the potential of the company's niche strategy. It was extremely well-received when it was launched in the autumn. Absorption Express is unique because it absorbs fluids significantly faster and in greater quantity than the much more expensive chemical pulps.

About 25 per cent of Vallvik Mill's production is used to manufacture graphic paper. The corresponding figure for Rottneros Mill is about 30 per cent.



## FROM FOREST TO END PRODUCT





# ROTTNEROS MILL

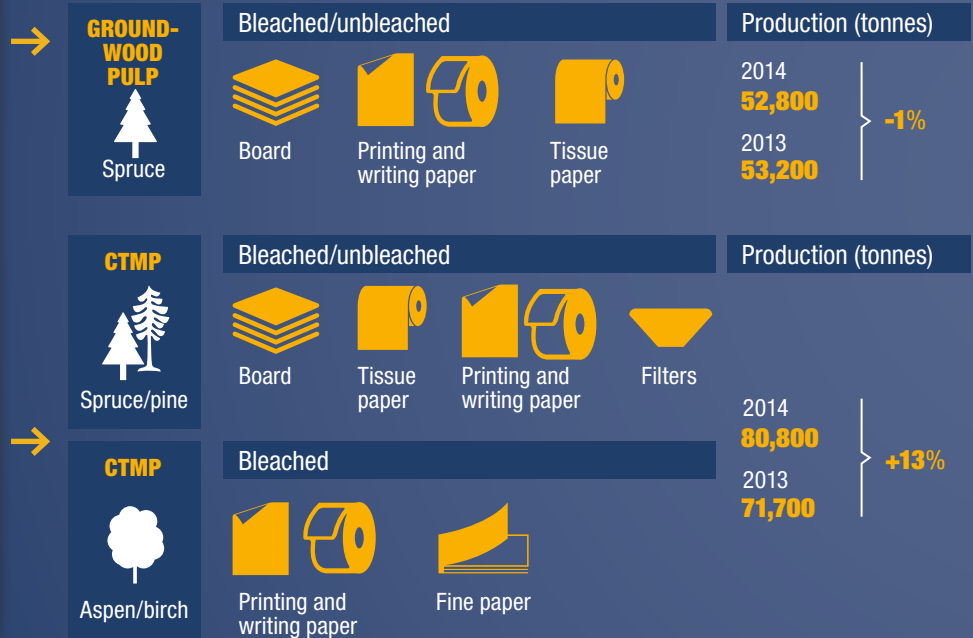


**88**  
employees



Two categories of High Yield pulp are manufactured at Rottneros Mill: CTMP and groundwood pulp. These pulps, of which there are 25 or so product variants with different qualities, account for approximately 40 per cent of the Group's production.

Pulp deliveries  
(thousand tonnes)



## ROTTNEROS MILL: A BROAD PALETTE OF PRODUCTS

### PRODUCTS

#### CTMP

CTMP (Chemi-Thermo-Mechanical-Pulp) is a pulp with several areas of use, such as production of board, printing and writing paper and tissue paper. During the production of CTMP, wood is treated with chemicals at a raised temperature before mechanical processing starts. The wood is broken/ground down and the fibres released between rotating metal plates into the finished pulp. Spruce is the dominant wood material, but pine, aspen and birch are also used in the process.

There are both bleached and unbleached grades of CTMP pulp. Different types of wood are combined depending on the intended area of use, so that the pulp grades have the specific qualities demanded by the customer.

CTMP pulp, which Rottneros Mill manufactures from aspen, is primarily used for production of printing and writing paper while CTMP, manufactured from pine and spruce, is largely used for manufacturing board. Different types of fibre can be combined depending on the qualities desired in the form of stiffness, printability and opacity or printing properties.

CTMP for board is considered to be a segment with long-term market growth and thus constitutes one of the areas in which the mill is investing. Besides board,

Rottneros Mill has grades of pulp for manufacturing high-quality filter paper, tissue paper and for special applications.

#### Groundwood pulp

Groundwood pulp is based on spruce. The wood is processed by being pressed against special stone rollers or 'grindstones'.

Historically, most of Rottneros Mill's groundwood pulp grades were first customised for printing paper, but they are now increasingly being shifted over to manufacture board and tissue paper, where their properties offer certain benefits in terms of products and quality. There are both unbleached and bleached grades of groundwood pulp with different levels of brightness.

#### PRODUCTION

A common feature of both product categories is the high wood utilisation rate. CTMP utilises 90 to 95 per cent of the pulp wood provided, groundwood pulp 98 to 99 per cent, while the utilisation rate for chemical pulp is significantly lower. Production is dependent on fresh pulp wood, which is better at providing the desired product qualities. By far the greatest part of the pulp wood is obtained locally from the area surrounding the mill; i.e. within a radius of approximately one hundred kilometres of Rottneros Mill.

Rottneros Mill had an average of 88 employees in 2014. Annual production capacity is about 150,000 tonnes, making Rottneros Mill one of the largest global producers of High Yield market pulp.

In total 133,600 tonnes of CTMP and groundwood pulp were produced in 2014, an increase of 7 per cent compared with 2013 (124,900 tonnes), despite a 1 per cent decline in the global market. Production of CTMP increased by 13 per cent to 80,800 tonnes, while the corresponding figure for groundwood pulp was a decrease of 1 per cent to 52,800 tonnes. Annual production from the CTMP line was the highest ever, in addition to a new record for monthly production in December.

CTMP and groundwood pulp are produced in two separate lines. Both processes are environmentally friendly thanks to the high wood utilisation rate and low use of chemicals, but at the same time they are very energy intensive, which means that they are exposed to variations in the price of electricity.

#### INVESTMENTS

Rottneros Mill is continually taking measures to increase productivity and reduce energy consumption per tonne of pulp. Energy consumption is currently 20 per cent lower than it was ten years ago. During the year, the company invested in a heat exchanger (an 'ekonomizer') on the bio boiler to extract heat in the air from the boiler to the process. This measure reduced the mill's oil consumption.





## CASE: ABSORPTION EXPRESS

**NILS HAURI**  
PRODUCTION MANAGER  
ROTTNEROS MILL

# ABSORPTION EXPRESS — LESS EXPENSIVE AND BETTER

### **Absorption Express**

Absorption Express, Rottneros' newly developed high-yield pulp for tissue paper, is a clear example of the potential of the company's niche strategy. It was extremely well-received when it was launched at London Pulp Week in November, which was well attended by a significant portion of the global paper industry.

### **Unique absorbency**

Absorption Express is unique because it absorbs fluids twice as effectively as much more expensive pulps. According to our tests, it absorbs twice as much liquid twice as fast as competitors' pulps. It also has a higher bulk, which gives a better feel to end product users.

### **Improved quality**

Switching to Absorption Express reduces input costs and increases quality for tissue paper producers.

### **Developed by Rottneros Mill**

Absorption Express was developed by Rottneros Mill and has been tested by a number of tissue paper manufacturers. Several manufacturers are already using this pulp regularly in production. The development was a team effort involving many of the staff at the mill under the direction of production manager Nils Hauri.



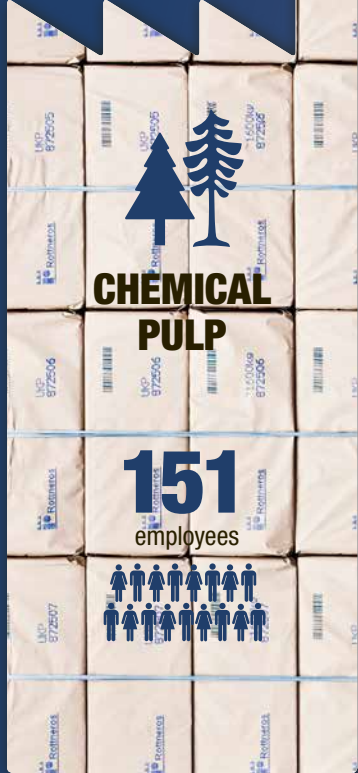
### Tissue paper

**Use:** Generic name for paper grades used in the manufacture of serviettes (table napkins), paper towels and toilet paper.

**Market:** Demand in this niche is steadily rising.



# VALLVIK MILL



Chemical pulp is produced by boiling woodchips in a special cooking liquor. Chemicals in the cooking liquor dissolve the wood to release the fibres.

Pulp deliveries (thousand tonnes)

192	207	208	211
2011	2012	2013	2014



## VALLVIK MILL: FLASH DRYING PROVIDES PULP WITH UNIQUE PROPERTIES

### PRODUCTS

Chemical pulp is produced by boiling woodchips in a special cooking liquor. Chemicals in the cooking liquor dissolve the wood to release the fibres. There are two kinds of processes to produce chemical pulp: sulphate and sulphite. The sulphate process, which is currently the most common and is also used at Vallvik Mill, produces a stronger pulp. Fibres and a black liquor containing chemicals and dissolved wood matter are left after boiling. The cooking chemicals can be recycled, while the wood matter is generally used as a fuel to produce the mill's own steam and electricity. Long-fibre chemical sulphate pulp is produced at Vallvik Mill and accounts for approximately 60 per cent of the Group's production.

Most of the production at Vallvik Mill comprises NBSK (Northern Bleached Softwood Kraft) pulp. NBSK is the designation for bleached, long-fibre sulphate pulp, which is also the pulp generally referred to in official price indications, for example in the PIX price, which is reported weekly and set in USD/tonne for Europe, North America and China. ECF (Elemental Chlorine Free) bleached

pulp is used for production of white or light-coloured paper and board products, writing and printing paper, tissue paper and special paper.

Vallvik Mill also produces unbleached sulphate pulp: UKP (Unbleached Kraft Pulp). The qualities of this long-fibre pulp add strength to various grades of paper, reaping the full potential of the slow-growing north Scandinavian pine fibre.

Vallvik Mill manufactures a type of unbleached sulphate pulp that has been extremely well cleansed and is very pure. This pulp (referred to as 'e-pulp') was developed over a period of many years and, on account of its quality, has made Vallvik Mill the global leading supplier of this kind of pulp. E-pulp can be used to manufacture electrical insulation materials, transformer boards and condenser paper. Cable insulation for marine high voltage cables represents a product where the e-pulp from Vallvik Mill occupies a unique position. Vallvik Mill's pulps are also flash-dried, which provides certain properties that make them particularly appropriate for manufacturing filters and other absorbent products.

### PRODUCTION

The mill has 151 employees. In 2014 Vallvik Mill produced 211,300 tonnes, an increase of 1 per cent compared with 2013.

The production of long-fibre sulphate pulp, which is manufactured at Vallvik Mill, is less energy intensive than the manufacture of groundwood pulp and CTMP. Vallvik Mill is thus less exposed to trends in electricity prices than Rottneros' Mill. The mill produces a large proportion of the electricity it uses, which means it is virtually energy neutral.

Our ambition is to re-allocate our production primarily towards pulps for electrical applications and filter pulps for the manufacture of air filters for the automotive industry and for consumer products, such as, for example, coffee filters.

### INVESTMENTS

Last year Vallvik Mill primarily focussed on reaping the benefits of the substantial investments made over the past few years.

## CASE: E-PULP ROBUR FLASH UKP

**SOFIA STRANDVALL**  
MILL MANAGER  
VALLVIK MILL



# ROBUR FLASH — KEEPS ELECTRONS IN PLACE

### Unique properties

Vallvik Mill is a world leader in e-pulp used in electrical insulation materials, transformer boards and condenser paper. The pulp, with its unique insulating properties, is cooked according to a secret recipe that has been continuously developed since the mid-1990s.

### Extremely well-cleansed pulp

E-pulp is a grade of unbleached sulphate pulp that has been extremely well-cleansed and is very pure. The cleanliness of the pulp allows it to be used as an electrical insulation material. More specifically, following years of development, Vallvik successfully reduced the number of ions of elements that conduct electricity. The elements used in the cooking process, especially sodium, contribute to the conductivity of the end product, which is then washed away.

### Robur Flash UKP

The pulp is marketed under the product name Robur Flash UKP. Customers are located all over the world. Cable insulation for marine high-voltage cables is an example of a product for which Vallvik Mill's pulp clearly occupies a distinct unique position in its niche.

### Increased percentage of deliveries

E-pulp has gradually increased its share of mill delivery volumes and today represents over 15 per cent of deliveries. Production of e-pulp is based on customer orders. Contracts are usually signed annually, thereby reducing exposure to bulk market fluctuations.



E-pulp  
Robur Flash UKP

**Use:** Electrical insulation materials, transformer boards and condenser paper.

**Market:** Less exposure to bulk market fluctuations.







**CHIP HANDLING**  
at Rottneros Mill

## PULP WOOD SUPPLY

# WOOD SUPPLY CRUCIAL

The availability of wood is crucial for the Rottneros Group's pulp production. Pulp wood purchases account for almost 40 per cent of the company's total costs, significantly more than purchases of other input goods, such as electric power and chemicals.

### SUPPLY OF PULP WOOD

The Group has its own organisation to acquire wood in Sweden as well as a wood procurement company in Latvia: SIA Rottneros Baltic. Wood is purchased in the form of pulp wood or as woodchips from different sawmills. Low stock levels reduce the amount of capital tied up in Rottneros while fresh wood yields better use of raw materials, including reduced use of bleaching chemicals. The state-owned Svea skog and the forestry owners' association Mellanskog are Rottneros' single largest suppliers. SIA Rottneros Baltic represents an important link for generating increased flexibility in the supply of wood.

Rottneros' two mills consume approximately 1.4 billion cubic metres of pulp wood and woodchips annually. Woodchips

imported from Latvian sawmills, which comprise most of Rottneros' imports, primarily go to Vallvik Mill, which has its own harbour. Seasonal variations, pricing and weather conditions are factors that affect the flow of wood supplies. Good communication and good, long-term relationships with suppliers are required to maintain a stock level to secure production, while reducing the amount of capital tied up.

The Rottneros Group is traceability-certified according to two European systems: FSC (Forest Stewardship Council) and PEFC (Programme for the Endorsement of Forest Certification). Traceability certification guarantees that there is nothing controversial about the origin of the wood used, which can be traced back in the supply chain. Demand for FSC-certified pulp is increasing but up until now there has been an adequate supply.

### THE PULP WOOD MARKET

The cost of Rottneros' wood supplies continued to fall in 2014. The total cost amounted to SEK 561 million (2013: SEK 595 million), corresponding to 40 per cent (2013: 40 per cent) of the Groups expenses.

The stock of pulp wood at Vallvik Mill

was approximately 68,000 m<sup>3</sup> at the end of 2014, corresponding to 22 days. The stock at Rottneros Mill was approximately 41,000 m<sup>3</sup>, corresponding to 38 days. Inventories were unusually large because of stored woodchips in certain grades and an expected inventory reduction over the New Year holidays. The pulp wood balance is primarily affected by the forest owners' interest in harvesting and selling their wood, the price of pulp wood and market structures.

The pulp wood market is expected to be stable in 2015 since we anticipate a relatively high rate of wood harvesting and good sawmill production, which also promotes availability of woodchips.

### ELECTRICITY SUPPLY

Net consumption of electric power was 385 GWh for the Rottneros Group in 2014. Most of this electricity was consumed at Rottneros Mill, while Vallvik Mill is largely able to use electric power that it has produced itself.

The average price of electricity on the Nord Pool electricity exchange amounted to SEK 0.29 (0.34) per kWh for the year, which was 15 per cent lower than 2013. There were electricity hedging contracts at the turn of the year corresponding to 48 per cent of assessed consumption for 2015. The hedging level for 2016 is 26 per cent.

### CHEMICALS

The market prices of the chemicals that the Group uses for production fell during the year. Rottneros endeavours to contact a wide selection of suppliers to secure both its own production and competitive prices.





## PULP WOOD SUPPLY



### WOOD

- Purchased as pulp wood or woodchips.
- The state-owned Svea skog and the forestry owners' association Mellanskog are the largest suppliers.



### ELECTRICITY

- Net consumption of electricity: 385 GWh.
- Vallvik Mill largely produces and uses its own electricity.

**385** GWh



### CHEMICALS

- Declining market prices for chemicals.
- Rottneros has contacts with a wide selection of suppliers.

## SIA ROTTNEROS BALTIC

Rottneros imports some of its pulp wood from Latvia through its own subsidiary, SIA Rottneros Baltic, which represents a strategic component of the Rottneros Group's pulp wood supply. The company is also able to assist in the acquisition of pulp wood from the rest of the Baltic region, Russia and Belarus. These imports, which are mainly for Vallvik Mill, cover approximately 13 per cent of the mill's pulp wood requirements. The company has three employees.





# BROAD COMMITMENT TO THE SURROUNDING WORLD AND OUR EMPLOYEES



Rottneros' activities shall be carried out in a responsible way. It is therefore our ambition to continuously reduce the environmental effects that may be caused by the company's production and distribution systems. Confidence in Rottneros' conduct strengthens our position in the market and promotes the involvement of employees. Sustainability information has been reported since 2010 in accordance with Level C of the Global Reporting Initiative's (GRI's) Guidelines.

### GRI

For the financial year 2014 Rottneros has continued to report in accordance with GRI's Application Level C, which means that the report is not externally assured. Rottneros' sustainability work is reported annually as an integral part of our Annual Report and is also presented on Rottneros' website.

### CODE OF CONDUCT

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 purpose is to define Rottneros'

social responsibility, ethical commitment and position in respect of equality issues and also the approach that Rottneros' employees should adopt on issues of principle importance.

### STAKEHOLDERS

Rottneros aims to have good communication with everyone affected by its activities. Customers, pulp wood suppliers, employees and shareholders hold a special position in this respect. These are the stakeholders that Rottneros primarily communicates with to maintain an open and positive relationship. Stakeholders have been divided into four groups.

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**VALLVIK MILL**  
Control panel in baling management

## RESPONSIBILITY

# WE ACT RESPONSIBLY

### MARKET

#### Customers

Rottneros' aim is to provide customers with pulp products that strengthen their market position and profitability. The Group acts responsibly towards its customers by always striving to offer customised products with a superior level of quality. We add value for our customers by offering new knowledge.

Rottneros conducts a continuous dialogue with its customers. Regular meetings are held to discuss issues relating to products and quality. Information about Rottneros and the company's products is provided in Pulp Focus, a customer magazine that we produce and distribute to all of our customers.

#### Suppliers

Rottneros acts responsibly towards its suppliers and partners. The company's representatives are never allowed to use improper means to derive any undue competitive advantage for the company or for their own personal gain. Rottneros must never enter into business relationships with companies that violate laws, regulations or international human rights conventions.

Rottneros' management process means that new suppliers are chosen according to set criteria. Meetings are held with suppliers to discuss supply commitments in conjunction with the procurement of annual contracts for input goods. Each company then has an opportunity to provide updates about the market situation, organisational changes and other issues related to our relationship. In addition to these meetings, Rottneros maintains regular contact with its suppliers.

### SHAREHOLDERS

#### Stock and capital market

Rottneros acts responsibly towards its shareholders by working to maximise value

within the framework of laws, rules and standards. Our capital market activities are characterised by transparency and honesty. We comply with the laws, regulations and ethical guidelines that apply to the capital markets. We aim to reduce the Group's risk exposure and pay steady dividends to our shareholders. Press releases, quarterly financial statements, meetings with analysts and attendance at Capital Market Days are the primary ways in which we contact existing and potential shareholders.

### INTERNAL

#### Employees

Rottneros acts responsibly towards its employees by promoting health, environment and safety at our workplaces. We offer desirable employment terms as well as good opportunities for development. We protect the rights of our employees, fight against discrimination and harassment, and promote diversity at the workplace.

#### Unions

All Rottneros employees are covered by collective union agreements. Collective agreements have been concluded with Pappers (Swedish Paper Workers' Union), Unionen, Ledarna (Swedish Organisation for Managers) and Sveriges Ingenjörer (Swedish Association of Graduate Engineers).

### SURROUNDING WORLD

#### Society

We act responsibly towards society. Rottneros' mills have strong ties to the local communities, which are usually based on traditional industrial culture, where we are the major employer in the area. We collaborate with the municipal authorities where we operate, among other things by offering apprenticeships and study visits.

#### Environment

We assume our environmental responsibility by ensuring that all production units within the Group comply with the environmental requirements laid down in acts and ordinances. Environmental objectives are followed up in conjunction with our financial reporting, and we conduct an active dialogue with stakeholders on the environmental impact of our activities and products. Our production units work to continuously improve the production process. In 2014, these efforts resulted in both lower energy consumption and lower raw material consumption. Consumption of raw materials (logs and woodchips) dropped in 2014 to about 20,000 m<sup>3</sup>, corresponding to about 500 lorry-loads of wood.

### PRIORITIES

Rottneros always endeavours to make our 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.

### CONSOLIDATED INCOME STATEMENT BROKEN DOWN BY STAKEHOLDER

Stakeholder group	Type of activity	SEK MILLION	Percentage of total cost
Customers	Sale of paper pulp and other income	1,588	
Suppliers	Raw materials & consumables	-847	58%
	Other purchases of goods and services including depreciation, amortisation and impairment	-433	30%
Employees	Pay, social security contributions and other employee benefit expenses	-190	13%
Lenders	Interest	-4	0%
State	Taxes <sup>1)</sup>	20	-1%
Shareholders	Net income	133	

<sup>1)</sup> Relates to capitalisation of unused tax losses.





**VALLVIK MILL**

Mari Mattsson, laboratory technician (left), Erika Onelius, process engineer (right) check the quality of the pulp.

**RESPONSIBILITY – PERSONNEL**

# EXPERIENCED, SKILLED AND DEDICATED

“Rottneros has experienced, skilled and dedicated employees.” A quote from the newly appointed President after one month on the job.

However, this is not enough; development must never stand still. Clear leadership and clear common short-term and long-term goals are essential for us to get where we want to go. A change process, called Focus 15, was initiated in the autumn of 2013 and implemented in 2014 through training initiatives in leadership, safety and the environment for both salaried employees and workers.

The motivation and dedication of Rottneros’ employees are based on clear

objectives and a non-hierarchical organisation with decentralised responsibilities, leading to a workplace in which creative ideas are encouraged and tested.

The framework is provided by the Rottneros Code of Conduct, which governs our responsibility for the environment, ethics in relationships with colleagues, customers and suppliers, as well as our interaction with society.

In order to further strengthen the Group’s HR processes in 2014, a person was recruited for a position that would have overall HR responsibility.

Moving forward, there is a strong focus on identifying the need for continuing education, retirement planning and strengthening expertise in the company through recruitment.

to occupational injuries leading to sick leave. One way of achieving this objective is to train staff and have clear and precise instructions for conducting work, as well as how to move around within the area of the mills.

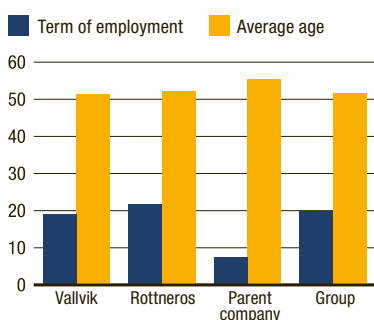
Four accidents occurred at Vallvik Mill in 2014 that resulted in a total of 15 sick days, as well as eight ‘o accidents’ (accidents registered that did not require sick leave). The corresponding figures at Rottneros Mill were four accidents with 9.5 days of sick leave and ten ‘o accidents’. Accident and incident statistics are reported to management and the Board on a monthly basis.

The average number of employees amounted to 251 (256) in 2014.

The average term of employment is about 20 years, and the average age of employees is approximately 52 years. Women account for 15 per cent of all employees. In the eight-person management team at Vallvik Mill, two are women, the heads of Production and Human Resources.

Pay and other remuneration for employees in 2014 amounted to SEK 136.8 (137.1) million, excluding social security contributions. This corresponds to around 9 (10) per cent of the Group’s total turnover for 2014.

**TERM OF EMPLOYMENT AND AVERAGE AGE, 2014**

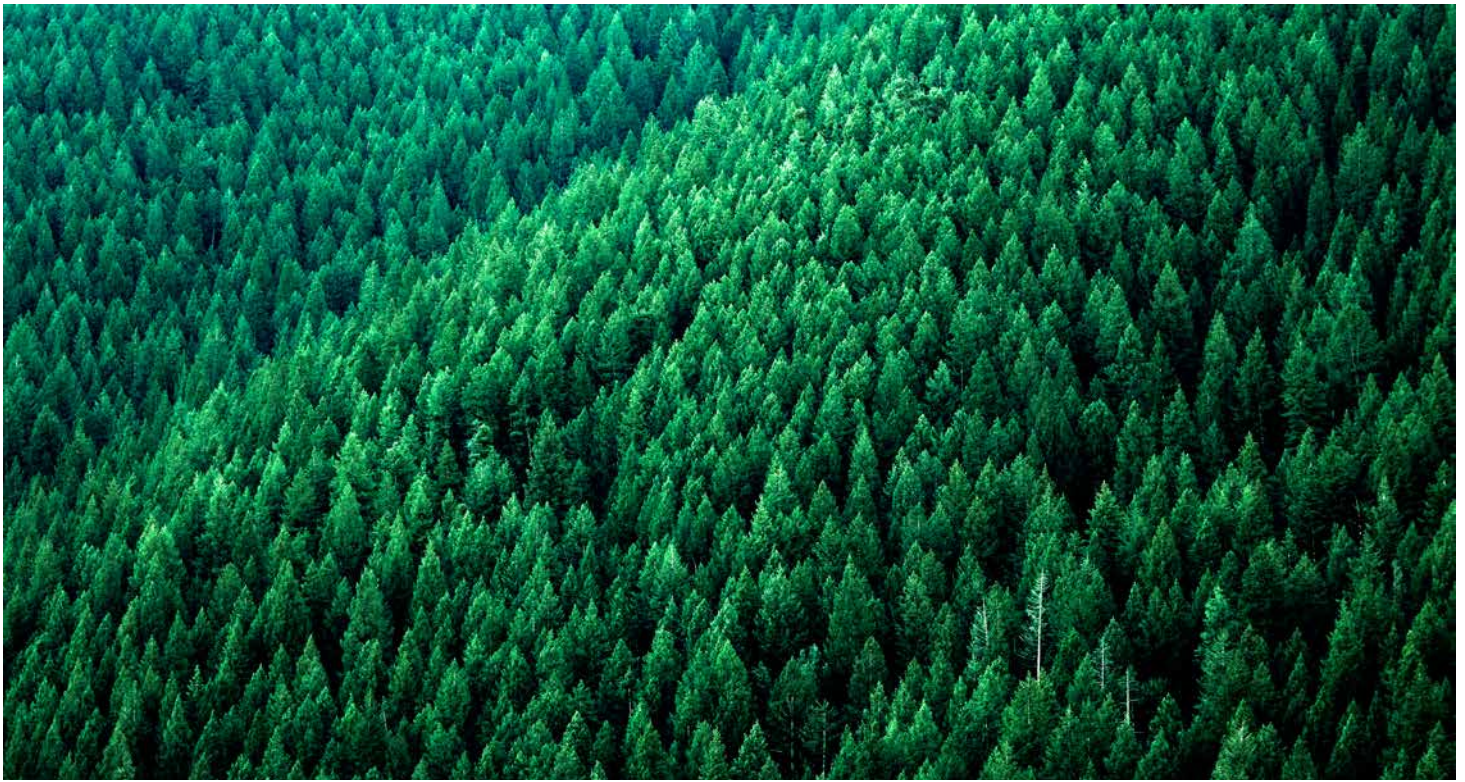


**HIGH ATTENDANCE**

Staff turnover within the Group amounted to 12 (8) per cent in 2014, largely due to staff retiring. Absence owing to sickness was 2.4 (2.8) per cent. Both figures are relatively low compared with the national average in Sweden. High attendance and low staff turnover provide a good basis for continuity, both in the short and long term.

**INDUSTRIAL INJURIES**

The Group has a ‘vision zero’ approach



## RESPONSIBILITY – ENVIRONMENT

# ENVIRONMENTAL EVENTS AT THE MILLS IN 2014

## ROTTNEROS MILL – OPTIMISATION OF BOILER EFFICIENCY

### ROTTNEROS MILL

The mill increased production during the year, which required more energy to dry the pulp. In an effort to minimise fossil fuel consumption, work to optimise the efficiency of the bark boiler continued. Trial runs with different fuel mixtures were conducted in spring 2014.

The bark boiler has also been equipped with an economizer to capture more

thermal energy from the flue gases. This investment will be supplemented with heat batteries in order to take full advantage of the economizer's heat recovery potential.

Despite the efforts to improve heating efficiency, however, the increased production resulted in an increase in fossil fuel consumption.

The mill installed an 'on-line metre'

in the biological treatment plant with the aim of optimising the addition of nutrient salts to the water for biopurification, as well as to control the pH of the water. The nutrient salts are phosphorus and nitrogen, which are the nutrients in the biological process that clean the process water leaving the mill.

## VALLVIK MILL – INCREASED EFFICIENCY IN PURIFICATION PLANT

### VALLVIK MILL

The mill has continued its efforts to improve the efficiency of the biological purification plant. Since the mill produces both bleached and unbleached pulp in campaigns, the amount of material in the outgoing process water to be purified in the process varies. The unbleached pulp produces less of the substance to be purified. This means that the biological efficiency of the process drops when switching between the different types of pulp. Studies are underway to determine how to modify the process to streamline

the switch between grades.

Contaminated water, known as condensate, comes from the mill's chemical recovery systems. Some of these flows leave the mill. The amount that leaves the mill has gradually declined. During the year, parts of the evaporation facility were replaced, in part to improve the purification of condensate, which is done in a 'stripper'. Condensate purification has improved since the renovation of the facility.

The biopurification treatment plant receives and processes fluids from the

bleach plant. A system for controlling fluid flows was designed and put into operation during the year. It will be optimised in 2015.

The mill prepared for the hearing that will be held in spring 2015 to discuss expanding production to 255,000 tonnes annually and new environmental requirements. The work has involved contacts with the Land and Environment Court in Östersund, as well as a consultative process primarily with Gävleborg County Council and the Swedish Environmental Protection Agency.



## BREAKDOWN OF TRANSPORT WORK (TONNES KM) WITHIN THE ROTTNEROS GROUP (%)

Stakeholder group	Road	Rail	Sea	Proportion of total transport work (%)
<b>2014</b>				
Pulp wood (%)	48	10	42	<b>21</b>
Chemicals (%)	100	0	0	<b>1</b>
Pulp (%)	17	16	67	<b>78</b>
<b>Proportion of total transport work (%)</b>	<b>24</b>	<b>15</b>	<b>61</b>	<b>100</b>
<b>2013</b>				
Pulp wood (%)	45	5	50	<b>19</b>
Chemicals (%)	100	–	–	<b>1</b>
Pulp (%)	12	18	70	<b>80</b>
<b>Proportion of total transport work (%)</b>	<b>19</b>	<b>16</b>	<b>65</b>	<b>100</b>

## ENERGY CONSUMPTION

GWh	Rottneros	Vallvik	Total Group
<b>2014</b>			
Biofuels, incl. black liquor	54	1,120	1,174
Fossil fuels	46	16	62
<b>Total energy consumption excl. electricity</b>	<b>100</b>	<b>1,136</b>	<b>1,236</b>
– Proportion of biofuels (%)	54	99	95
Electricity generated at mills	0	130	130
– of which green electricity	0	128	128
Electricity purchased	212	43	255
<b>Total electricity consumption</b>	<b>212</b>	<b>173</b>	<b>385</b>
Proportion produced at mills (%)	0	75	34
<b>2013</b>			
Biofuels, incl. black liquor	53	1,105	1,157
Fossil fuels	44	16	60
<b>Total energy consumption excl. electricity</b>	<b>96</b>	<b>1,121</b>	<b>1,217</b>
Proportion of biofuels (%)	55	99	95
Electricity generated at mills	0	119	119
– of which green electricity	0	117	117
Electricity purchased	206	53	259
<b>Total electricity consumption</b>	<b>206</b>	<b>172</b>	<b>378</b>
Proportion produced at mills (%)	0	69	31

## CARBON DIOXIDE EMISSIONS (TONNES PER YEAR)

	Rottneros	Vallvik	Total
<b>2014</b>			
Fossil fuels*	13,120	5,965	19,085
Biofuels	31,561	601,852	633,413
% biofuels	71%	99%	97%
<b>2013</b>			
Fossil fuels*	11,932	5,801	17,733
Biofuels	32,046	587,653	619,699
% biofuels	73%	99%	97%

\* Only fossil fuels contribute to the greenhouse effect

## EMISSIONS TO WATER AND AIR

	Rottneros	Vallvik	
<b>2014</b>			
Production (tonnes)	133,544	211,186	
S (tonnes per year)	8	99	
Permit	–	135	
	27		
NOx	tonnes/year	1.6 kg/tonne*	
Permit	–	1.5 kg/tonne	
	172		
Suspended substances	tonnes/year	0.6 tonnes/day	
Permit	tonnes/year	2.0 tonnes/day	
		ECF	UKP
	2,510		6.4
COD	tonnes/year	14 tonnes/day	tonnes/day
	4,000		18
Permit	tonnes/year	35 tonnes/day	tonnes/day
AOX (kg per tonne)	–	0.1	
Permit	–	0.8	
Phosphorus (tonnes per year)	0.9	33 kg/day	
Permit	tonnes/year	–	
	1.5		
Chlorate (tonnes per day) ECF	–	0.27	
Permit	–	1.5	
<b>2013</b>			
Production (tonnes)	124,739	208,452	
S (tonnes per year)	8	93	
Permit	–	135	
	28		
NOx	kg/tonne	1.6 kg/tonne	
Permit	–	1.5	
Suspended substances (tonnes per day)	0.5	0.5	
Permit	1.2	2.0	
COD (tonnes per day)	6.7	15 ECF	7.0 UKP
Permit	10.5	35	18
AOX (kg per tonne)	–	0.1	
Permit	–	0.8	
Phosphorus (kg per day)	2.8	44	
Permit	6.0	–	
Chlorate (tonnes per day) ECF	–	0.1	
Permit	–	1.5	

\* The NOx guideline was exceeded because a gas boiler was installed to reduce sulfur emissions.

## EMISSION ALLOWANCES FOR CARBON DIOXIDE

Mill	Allocation/year 2013–2020*	Emissions 2013	Emissions 2014
<b>2014</b>			
Rottneros	19,668	11,932	13,120
Vallvik	11,355	5,801	5,965
Total	31,023	17,733	19,085

\* The allocation will gradually be reduced during the period so that it is 12% lower in 2020.



## DIRECTORS' REPORT

The Board of Directors and CEO of Rottneros AB (publ), corporate identity number 556013-5872, based in Sunne, hereby present the annual accounts and consolidated accounts for the financial year 2014.

Rottneros reported an operating profit for 2014 of SEK 118 (-154) million. A strong dollar exchange rate had a positive impact on the result of SEK 79 million compared with the previous year.

The Rottneros Group is an independent and flexible producer of high-quality chemical and High Yield pulp. The Group operates in the market pulp market, where the pulp produced is sold to customers throughout the world. Europe and the United States, along with certain Asian markets, represent the main focus of Rottneros' sales.

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 competitive advantage that represents a potential to become a market leader.

## SALES, PERFORMANCE, INVESTMENTS AND FINANCIAL POSITION

# PROFIT INCREASED BY SEK 180 MILLION

### DEVIATION ANALYSIS

SEK MILLION	2014	2013
NBSK PIX	925	857
SEK/USD	6.86	6.51
NBSK SEK	6,345	5,582
<b>Operating income</b>	<b>118</b>	<b>-154</b>
Price & Mix	53	
Currency	79	
Volume	21	
Variable costs	52	
Impairment losses and one-off costs	92	
Pulp and currency hedging realised	-12	
Other	-13	
<b>Total difference</b>	<b>272</b>	

### SUMMARY CONSOLIDATED INCOME STATEMENT

SEK MILLION	2014	2013
Net turnover	1,547	1,389
Operating income, excl. one-off effects <sup>1</sup>	118	-62
Operating income	118	-154
Income after net financial items	114	-158
<b>Income for the year</b>	<b>133</b>	<b>-158</b>

<sup>1</sup> Excluding total impairment losses and one-off costs of a total of SEK 0 (92) million.

### SALES AND RESULTS

#### Sales

Net turnover for the Group amounted to SEK 1,547 (1,389) million for the whole of 2014. Deliveries for the whole of 2014 amounted to 344,200 (332,100) tonnes, an increase in volume of 4 per cent compared with the previous year. The average USD price for long-fibre sulphate pulp (NBSK) increased by approximately eight per cent in 2014. The average prices for NBSK pulp translated to SEK only increased by approximately 14 per cent as a result of the strengthening of the USD against the SEK.

#### Operating income

The Group's operating profit amounted to SEK 118 (-154) million for the whole of 2014. Besides impairment losses of SEK 80 million, costs relating to the salary, pension and payroll overheads under the contract for the departing CEO had a negative impact on last year's result. A total of SEK 5.5 million was charged against profit for the year for costs relating to the salary, pension and payroll overheads under the contract for the departing CEO.

### Variable costs

The average price of electricity on the Nord Pool electricity exchange amounted to SEK 0.29 (0.34) per kWh for the full year 2014, which is 15 per cent lower than the previous year.

Lower electricity prices in 2014 had a positive impact on profit of SEK 16 million compared with 2013. This positive effect on profit is offset by negative realised electricity hedges of SEK 8 million compared with 2013.

The remainder of the reduction in variable costs was largely due to lower consumption rates and prices for pulp wood and chemicals.

### Impairment losses and one-off costs

No impairment losses have affected the 2014 results. The result was affected by impairment losses of SEK 80 million during the third quarter of 2013 in respect of the CTMP plant from Utansjö Mill. The plant was sold to KorsnäsBillerud in Q4 2014 with a liquidity effect of SEK 39 million, though only a marginal impact on profit.

### Income after net financial items

Group profit after net financial items amounted to SEK 114 (-158) million and includes net financial items of SEK -4 (-4) million. Net financial items include financial exchange losses of SEK 0 (-1) million.

### Income after tax

Group profit after tax amounted to SEK 133 (-158) million. The tax expense for the year amounted to SEK +20 (0) million. Deferred tax assets amounted to SEK 69 (53) million. The amount was affected during the year by the use of previously capitalised unused tax losses of SEK 25 million. Based on profit for the year and the company's assessment of developments over the next few years, additional unused tax losses were capitalised during the year. At the turn of the year the deferred tax asset relating to unused tax losses was SEK 67 million, equivalent to SEK 302 million in tax loss carryforwards. There was also an unused tax loss of SEK 98 million,

for which deferred tax assets have not been recorded.

Earnings per share after tax were SEK 0.87 (-1.04).

### INVESTMENTS AND FINANCIAL POSITION

#### Investments

Group investments in fixed assets amounted to SEK 58 (35) million in 2014.

In both 2014 and 2013, these investments primarily related to equipment to increase capacity and efficiency.

Fixed assets amounted to SEK 615 million on 31 December 2014, a five per cent reduction compared with 31 December 2013. In all, 90 per cent of the Group's fixed assets consist of property, plant and equipment. Property, plant and equipment were impaired by SEK 80 million in 2013 attributable to Utansjö Mill.

Current assets, excluding cash and cash equivalents, amounted to SEK 481 million on 31 December 2014 and comprise 53 per cent inventories and 36 per cent accounts receivable. The cash flow effect of the sales of the Utansjö plant amounted to SEK 39 million. Current assets increased by 15 per cent compared with the end of the previous year.

Group cash and cash equivalents amounted to SEK 89 million at the end of 2014 compared with SEK 35 million at the end of 2013.

The Group had total interest-bearing liabilities of SEK 30 million on 31 December 2014. Interest-bearing liabilities comprise a utilised loan relating to an investment. Interest-bearing net liabilities amounted to SEK 59 million, compared with SEK -25 million as of 31 December 2013.

Total approved but unutilised credit facilities amounted to SEK 145 million on 31 December 2014 and total approved credit facilities amounted to SEK 175 million.

The positive result caused the equity/assets ratio to rise to 77 per cent as of 31 December 2014, an increase of 6 percentage points from the previous year. Equity per share amounted to SEK 6.39 (SEK 5.41 as of 31 December 2013).

### CASH FLOW

Cash flow from operating activities before investments amounted to SEK 104 (62) million in 2014 and included cash flow of SEK -1 (-1) million from financial hedging. The increase in working capital in 2014 had a negative impact on cash flow of SEK 71 million.

Cash flow from investing activities amounted to SEK -20 (-35) million.

The Group's net loans receivable at year-end amounted to SEK 59 (-25) million, an increase of SEK 84 million compared with last December 2013.

Net cash flow amounted to SEK 54 (9) million for 2014, corresponding to a net cash flow of SEK 0.35 (0.06) per share. Cash flow after investments per share amounted to SEK 0.55 (0.18).

### PARENT COMPANY

The parent company's turnover for 2014 amounted to SEK 6 (6) million. The parent company's sales in 2014 primarily comprised revenues from invoiced administrative and operational management services. The parent company's profit after net financial items amounted to SEK 36 (-93) million for 2014.

### FUTURE TRENDS

In February 2015, the Board decided on a strategic action plan, Agenda 500, to strengthen and develop Rottneros. The focus on selected niches will continue under the plan. A planned capacity expansion will eliminate bottlenecks at the mills over the next few years.

### IMPORTANT EVENTS

Per Lundeen took office as the new CEO and President on 6 November 2014 and will serve until the 2016 Annual General Meeting.

### NUMBER OF EMPLOYEES

The average number of employees amounted to 251 (256) in 2014.

The average term of employment is about 20 years, and the average age of employees is approximately 52 years.

### SUMMARY CONSOLIDATED BALANCE SHEET

SEK MILLION	2014	2013
Fixed assets	691	706
Current assets	481	420
Cash and cash equivalents	89	35
<b>TOTAL ASSETS</b>	<b>1,261</b>	<b>1,161</b>
Shareholders' equity	975	825
Interest-bearing liabilities	30	60
Non-interest-bearing liabilities	256	276
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>1,261</b>	<b>1,161</b>

### SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

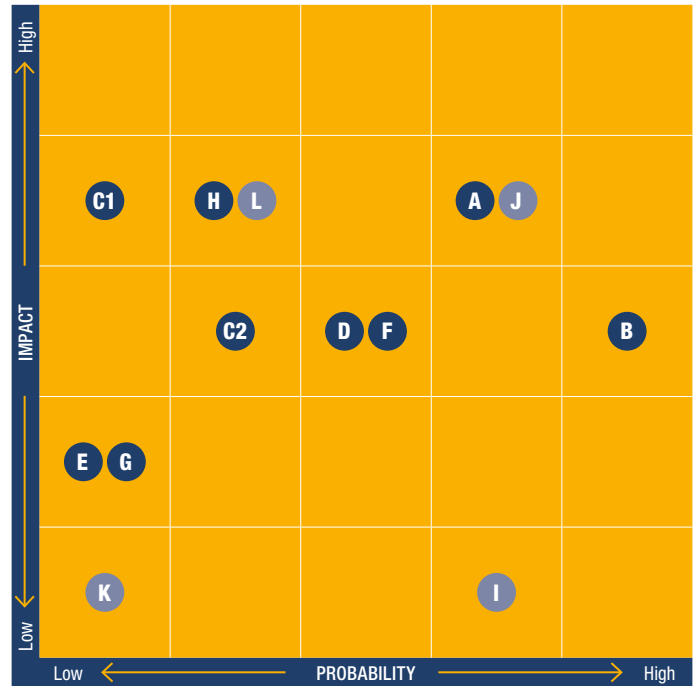
SEK MILLION	2014	2013
Cash flow from operating activities	104	62
Cash flow from investing activities	-20	-35
Cash flow from financing activities	-30	-18
<b>CASH FLOW FOR THE YEAR</b>	<b>54</b>	<b>9</b>

### SUMMARY INCOME STATEMENT – PARENT COMPANY

SEK MILLION	2014	2013
Net turnover	6	6
Operating income	-54	-46
Income after net financial items	36	-93
<b>INCOME FOR THE YEAR</b>	<b>57</b>	<b>-93</b>

# 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 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 management team at an operational level. The risk management process includes, among other things, strategic business planning, conducting an ongoing risk inventory, preventive maintenance work and investments and also 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 prices
- E** Customer structure and customer credit
- F** Facilities
- G** Political risks
- H** Environment

**Financial risk areas**

- I** Currency – balance exposure
- J** Currency risk – transaction exposure
- K** Interest
- L** Liquidity risk and refinancing risk

**SENSITIVITY ANALYSIS, 2014**

Type of risk	Change	Effect on annual income after net financial items (SEK m)		
		2014	2013	Sensitivity
Pulp prices	USD 50/tonne	80	80	High
USD	SEK 0.50/USD	70	60	High
Electricity prices	SEK 0.10/kWh	25	25	High
Timber prices	SEK 10 m <sup>3</sup> f	15	15	Medium
Interest rate risk	1 percentage point	0	0	Low
Refinancing				Low
Credit risk				Low



# OPERATIONAL RISK AREAS

RISK AREA	RISK MANAGEMENT	COMMENTS ON OUTCOME
<b>A</b> VARIATIONS IN PULP PRICE	PROBABILITY: 4 IMPACT: 4	

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.

A high pulp price is positive to the result but may have a negative impact on potential sales volumes.

'Pulp price risk' refers to the risk of changes in pulp prices having a negative impact on the consolidated income statement and balance sheet.

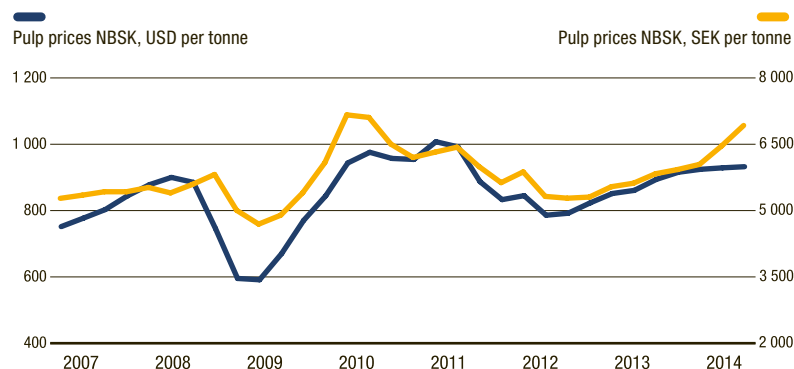
The setting of prices in the pulp market is governed by international price levels that depend on demand and the global economy.

Pulp 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.

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.

Rottneros had no pulp hedging on 31 December.

## PULP PRICES IN USD AND SEK



<b>B</b> STRUCTURAL CHANGE	PROBABILITY: 5 IMPACT: 3	
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Digitisation, globalisation and increased trade reduce demand for certain types of pulp and effect structural changes in the industry. Demand for newsprint and printing paper is weakening while demand for tissue, paperboard and specialty paper is strengthening.

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.

RISK AREA	RISK MANAGEMENT	COMMENTS ON OUTCOME												
<p><b>C1</b> ACCESS TO RAW MATERIAL</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 an optimal flow of pulp wood to its pulp mills. Deliveries and customer relations would be in jeopardy if Rottneros were to be without pulp wood.</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 for a period of between six and twenty-four months. The Group has its own company in Latvia for internal supplies of pulp wood and chips in order to increase flexibility.</p>	<p>PROBABILITY: 1    IMPACT: 4</p>												
<p><b>C2</b> RAW MATERIAL PRICES</p> <p>Price and price changes for pulp wood affect pulp producers. Higher prices for pulp wood have a negative impact on profit and Rottneros is unable to compensate for price increases on input goods.</p>	<p>The Group does not hedge against market price fluctuations, but long-term supply agreements provide some stability to prices. A price change of SEK 10 per m3f will affect the Group's result by approximately SEK 15 million.</p>	<p>PROBABILITY: 2    IMPACT: 3</p> <p>Rottneros raw material cost for 2014 amounted to SEK 561 (595) million, equivalent to 36 (43) per cent of net turnover.</p>												
<p><b>D</b> ELECTRICITY PRICES</p> <p>Energy costs represent a substantial part of Rottneros' manufacturing costs. Increased energy prices lead to increased production costs and have a negative impact on the Group's operating income.</p>	<p>All of the physical electricity for the Swedish mills is purchased directly via the Nord Pool electricity exchange. Electricity prices are listed in EUR. 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. Vallvik Mill is essentially self-sufficient.</p> <p>The Board of Directors approves hedging levels based on proposals from senior management. The Board also approves new financial counterparties.</p> <p><b>ELECTRICITY HEDGING AS OF 31 DECEMBER 2014</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Proportion hedged</th> <th>EUR/MWh</th> <th>SEK/kWh</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>48%</td> <td>0.443</td> <td><b>0.42</b></td> </tr> <tr> <td>2016</td> <td>26%</td> <td>0.37</td> <td><b>0.35</b></td> </tr> </tbody> </table>	Year	Proportion hedged	EUR/MWh	SEK/kWh	2015	48%	0.443	<b>0.42</b>	2016	26%	0.37	<b>0.35</b>	<p>PROBABILITY: 3    IMPACT: 3</p> <p>At the end of December 2014, electricity was hedged corresponding to the percentage of forecast consumption specified in the table. Average prices in EUR/MWh are provided in the table together with average prices in SEK/kWh (based on EUR forward exchange rates as of 31 December 2014).</p> <p>Hedging for EUR was concluded in respect of electricity costs for the period 2015 to 2016 amounting in total to EUR 4.7 million at an average rate of SEK 9.06 SEK/EUR. The average price level for electricity on the Nord Pool exchange amounted to SEK 0.29 (0.34) per kWh for the whole of 2014.</p>
Year	Proportion hedged	EUR/MWh	SEK/kWh											
2015	48%	0.443	<b>0.42</b>											
2016	26%	0.37	<b>0.35</b>											
<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>Rottneros considers that the Group has a good diversification of commercial risk with over 100 customers, of which the ten largest together represent approximately 30 per cent of turnover. Printing paper customers account for approximately 30 per cent of revenue, which in the long term may constitute too high a proportion considering the long-term structural changes occurring in the market.</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 Germany, Italy and Sweden 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.</p> <p>With few exceptions, business risk relating to accounts receivable is insured through credit insurance with a ten per cent excess.</p>	<p>PROBABILITY: 1    IMPACT: 2</p> <p>The Group has just over 100 customers and the maximum credit risk on outstanding accounts receivable amounted to SEK 30 million at the end of 2014 (10 per cent excess + any uninsured claims).</p> <p>92 (94) per cent of total outstanding accounts receivable were insured on 31 December 2014. Historically, the Group has only incurred small credit losses.</p>												

RISK AREA	RISK MANAGEMENT	COMMENTS ON OUTCOME
<p><b>F</b> FACILITIES</p> <p>Rottneros has two 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>PROBABILITY: 3    IMPACT: 3</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 and safety.</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.</p> <p>Rottneros insures all of its facilities against property damage and business interruption and also has relevant liability insurance.</p> <p>Rottneros had machinery with a total book value of SEK 498 million at the end of 2014. The replacement cost is considerably higher.</p>	<p>In 2014, maintenance shutdowns were carried out during the summer holiday season, and in October at both Rottneros Mill and Vallvik Mill. Insurance is reviewed and procured annually.</p>
<p><b>G</b> POLITICAL DECISIONS</p> <p>Political decisions may have a negative impact on production at the Group's pulp mills through changes in environmental legislation.</p>	<p>PROBABILITY: 1    IMPACT: 2</p> <p>Rottneros' exposure to political risks is considered to be limited.</p> <p>Rottneros runs its production in Sweden and sells most of its products to Sweden, the rest of Europe and the United States. Our export markets are stable democracies and the political risk of rapid changes to legislation, rules and regulations is relatively slight.</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 or another. However, the company considers this risk to be limited at this time.</p>	
<p><b>H</b> ENVIRONMENT</p> <p>Rottneros' activities have an impact on the environment, which may entail environmental restoration costs.</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 page 25.</p>	<p>PROBABILITY: 3    IMPACT: 4</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.</p> <p>Both of the Group's mills have environmental management systems and are certified according to ISO 14001. The environmental management system includes well-established procedures for follow-up, taking samples and dealing with deviations. Both mills conduct business activities that require permits.</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>All employees shall undergo environmental training in accordance with the Group's policy. Senior environmental staff within the Group undertake continuous professional training.</p> <p>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>In late 2013 Vallvik Mill submitted an application for a permit to increase production at Vallvik Mill. If the relevant public authorities grant their approval, Rottneros will get a permit to produce 255,000 tonnes per year at Vallvik Mill. Internal environmental studies were carried out at the time that the permit application was filed. In 2014, supplementary studies were carried out and work has begun on a number of action points to ensure that environmental standards are met. In addition to this, an external consultant carried out periodic inspections in accordance with the applicable rules, where a detailed review of follow-up systems and measurement procedures was conducted.</p>



# FINANCIAL RISKS AREAS

The following describes the Rottneros Group's policies for managing financial risks. Financial risks and other arrangements are described in Note 4.

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 team continually assesses whether factors such as the USD rate, pulp price or electricity present attractive opportunities for strategic hedging. Financial hedging instruments are not used speculatively, but solely to hedge transactions and costings in accordance with an approved Financial Policy.

RISK AREA	RISK MANAGEMENT	COMMENTS ON OUTCOME
<b>I</b> CURRENCY – BALANCE EXPOSURE	PROBABILITY: 4 IMPACT: 1	
<p><b>'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.</b></p>	<p>Rottneros' pulp mills and assets are 99 per cent in Sweden and other than the currency risk related to current account transactions, balance exposure is very low.</p>	
<b>J</b> CURRENCY RISK – TRANSACTION EXPOSURE	PROBABILITY: 4 IMPACT: 4	
<p><b>'Transaction exposure' is the risk of exchange rate fluctuations in export revenue and import costs having a negative impact on operating income.</b></p>	<p>Most invoices are issued in USD, EUR and SEK. The Rottneros Group's assets and liabilities are valued in SEK. The fundamental principle is that the currency risk exposure that arises on outstanding accounts receivable shall be hedged, preferably by currency hedging or borrowing in currencies that correspond over time to the average accounts receivable for each currency. The purpose of hedging exchange rate risk is to reduce undesired and unanticipated effects of exchange rate fluctuations and minimise the negative impact on the Group's result. Our 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>The Group applies a netting procedure so that all purchases and sales in each currency are netted and the net flow is hedged.</p>	<p>Exposure to USD is high and the inflow of USD (the real flow) corresponds to approximately 60 per cent and in EUR approximately 20 per cent. The impact of exchange rate fluctuations on indirect exposure is delayed, as the normal duration of a contract is between one and three months. Annual income from currency hedging activities amounted to SEK 2 (6) million.</p>
<b>K</b> INTEREST	PROBABILITY: 1 IMPACT: 1	
<p><b>'Interest rate risk' comprises the exposure of the Group's financial assets and financial liabilities with a floating interest rate.</b></p>	<p>Rottneros' loan-to-value (LTV) ratio has remained low since 2009, when the Group was refinanced. The Group's borrowing is shown in Note 13 on page 59. The Group's low loan-to-value ratio means that interest rate risk is limited to the return on cash and cash equivalents.</p>	<p>Total interest-bearing liabilities were SEK 30 (60) million on 31 December 2014. Interest-bearing net loans receivable amounted to SEK 59 million compared with interest-bearing net liabilities of SEK 25 million on 31 December 2013.</p>
<b>L</b> LIQUIDITY RISK AND REFINANCING RISK	PROBABILITY: 2 IMPACT: 4	
<p><b>There is a risk that Rottneros may not have sufficient liquid assets to pay for running costs, or the Group not being granted credit.</b></p>	<p>The financing risk shall be minimised as far as possible by the due dates for loans and other credit facilities being well-diversified and evenly spread over time. Outstanding credit facilities shall be refinanced no later than three months before they fall due.</p> <p>The Group's objective is for liquidity reserves to amount to at least ten per cent of the Group's 12-month rolling turnover and be available within 30 days.</p> <p>The Group continuously produces liquidity forecasts.</p> <p>Rottneros' credit agreements are 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.</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 at this time.</p> <p>The Group may 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.</p> <p>The Group assesses its capital on the basis of its debt/equity ratio. This key ratio is defined as interest-bearing receivables/ liabilities divided by shareholders' equity.</p>	<p>The Group's liquidity reserve at the end of 2014 amounted to 14.5% (7.5%) of turnover and the target is over 10%.</p> <p>The Group's debt/equity ratio amounted to 1% (3%) at the end of 2014.</p> <p>Group net loans receivable for 2014 amounted to SEK 59 million.</p>

# CORPORATE GOVERNANCE AT ROTTNEROS

Rottneros is a Swedish public limited company based in Sunne, Sweden and is listed in the Small 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, and also the Code. Rottneros applied the Code without deviations in 2014.

## 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 following organisation chart 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 receiving reports 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 and the Environmental Policy. The CEO decides on the Customer Credit Policy, Crisis Management Policy, IT Security Policy and Work Environment Policy, which are communicated to the Board. There are also five 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 makes decisions on the Articles of Association, appoints the Board of Directors and the Chairman of the Board, elects the auditors, adopts the income statement and balance sheet, makes decisions on the appropriation of profits and discharge from liability, and also makes decisions on nomination procedures, guidelines for the remuneration of senior executives, etc.

Rottneros' Articles of Association contain no special provisions about the appointment and dismissal of members of the Board or about amendments to the Articles of Association.

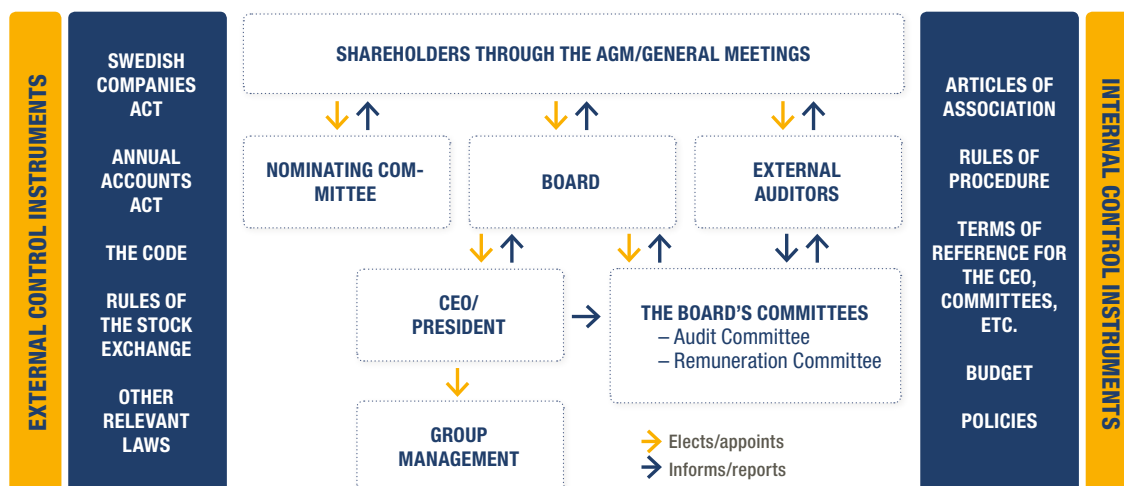
Each shareholder has the right to participate in the AGM, either in person or through an authorised proxy. Each shareholder has the right to raise issues to be addressed at the AGM. Notices of meetings and other information prior to AGMs/general meetings are available on Rottneros' website [www.rottneros.com](http://www.rottneros.com).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

## Shareholders

Rottneros' ordinary shares have been listed on NASDAQ Stockholm since 1987. According to the share register kept by Euroclear Sweden, Rottneros had 6,620 shareholders on 31 December 2014. The share capital amounted to SEK 153,393,890, divided among 153,393,890 ordinary 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.

Arctic Paper S.A. had a participating interest amounting to 51.0 per cent of the total number of shares and votes on 31

## STRUCTURE FOR CORPORATE GOVERNANCE



December 2014. Otherwise, none of the shareholders had 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 per cent of the total number of shares. Pages 66 to 67 of the company's Annual Report for 2014 provide more information about the share, shareholders, etc. Information is also available on the company's website.

#### 2014 Annual General Meeting

Rottneros' 2014 AGM was held on 25 April 2014 in Stockholm. The company's shareholders who attended the meeting represented 64.6 per cent of the company's votes and capital (excluding Rottneros' buyback shares). A majority of the Board members, including Chairman Rune Ingvarsson, 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 in accordance with the proposal of the Board of Directors that no dividend would be paid.
- The Board should comprise four ordinary members.
- Rune Ingvarsson, Per Lundeen and Roger Asserståhl were re-elected as directors and Per Skoglund was newly elected as a director.
- Rune Ingvarsson was re-elected as Chairman of the Board.
- A fee of SEK 500,000 should be paid to the Chairman of the Board and SEK 250,000 to each of the other directors. Members of Board committees should not

be paid a fee. Each employee representative will be paid a fee of SEK 25,000 for the time required to read materials prior to Board meetings. Auditors' fees are paid based on invoices approved by the CEO.

- Following a separate agreement with the company, a Board member may invoice the fees for the Board, together with statutory social security contributions and value added tax, through a company owned by the Board member, subject to the precondition that such payment is cost-neutral for the company.
- Election of the accounting firm Ernst & Young AB as auditors for the period up to and including the 2015 AGM, with Erik Sandström as auditor in charge.
- Lay down guidelines for remuneration for the CEO and other senior executives in accordance with the Board's proposal. These entail, for example, that remuneration shall comprise fixed salary, a possible variable remuneration component, 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. The variable component of remuneration, which is cash, is to be based on outcomes in relation to defined and measurable targets and is capped in relation to fixed salary. Matters relating to the remuneration of the executive management are dealt with by the Compensation Committee, except in respect of the CEO, whose remuneration is decided by the Board.

#### NOMINATING COMMITTEE

Rottneros' AGM makes decisions on the principles for the appointment of the Nominating Committee. The 2014 AGM resolved that 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 a representative of the company's major shareholder and the other shall be a representative of 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 at least six months prior to the 2015 AGM. The composition of the Nominating Committee at any given time will be published on Rottneros' website. A press release with information about the composition of the Nominating Committee was published on 31 October 2014 and held available on Rottneros' website. Roger Mattsson (Arctic Paper S.A.) has been appointed Chairman of the Nominating Committee. Other members appointed were Peter Gyllenhammar (Bronsstället AB) and Rune Ingvarsson (Chairman of the Board of Rottneros AB). After Peter Gyllenhammar sold the majority of his holdings in Rottneros AB through his company Bronsstället AB and thus stepped down from his position on the Nominating Committee, on

#### COMPOSITION OF THE BOARD AND ATTENDANCE 2014

Amounts in SEK thousand	Dependence <sup>4)</sup>	Total fees, 2014	Total fees, 2013	Attendance in 2014 <sup>1)</sup>		
				Board meetings	Committee meetings	
Rune Ingvarsson <sup>4)</sup>	(Chairman)	X	500	250	100%	100%
Per Lundeen <sup>2), 3)</sup>			250	250	90%	100%
Ernst Almqvist <sup>5)</sup>	X		–	–	100%	–
Claes Aurell <sup>5)</sup>	X		–	–	100%	–
Kjell Olsson <sup>5)</sup>	X		–	–	100%	–
Per Skoglund <sup>4)</sup>	X		250	–	100%	100%
Roger Asserståhl			250	250	100%	100%
Bengt-Åke Andersson	(employee representative)		25	25	100%	–
Mikael Lilja	(employee representative)		25	25	80%	–
Gun-Marie Nilsson	(employee representative/deputy)		25	25	100%	–
Tomas Wasberg	(employee representative/deputy)		25	25	50%	–

<sup>1)</sup> Rune Ingvarsson, Roger Asserståhl and Per Skoglund have attended all Board meetings since the 2014 AGM. Per Lundeen attended 90 per cent of the Board meetings since the AGM. Mikael Lilja attended 80 per cent of the Board meetings since the 2014 AGM.

<sup>2)</sup> Board member Per Lundeen invoiced his fees, together with social security contributions and value-added tax, via a company. This procedure is cost-neutral for Rottneros.

<sup>3)</sup> Per Lundeen is dependent in relation to the company and corporate management since 6 November 2014 when he was appointed acting CEO.

<sup>4)</sup> Dependent in relation to the company's largest shareholder, Arctic Paper S.A.

<sup>5)</sup> Board members with 100 per cent attendance up until the 2014 AGM.



3 March 2015 a press release announced that Stefan Sundh, PROAD AB, will join the Nominating Committee instead of Peter Gyllenhammar. Altogether, the Nominating Committee represented just over 55 per cent of the votes attached to all shares in Rottneros.

The Nominating Committee shall submit proposals for decisions to the 2015 AGM as regards election of the Chairman for meetings, number of Board members and deputies, election of Board members and deputies, election of Chairman of the Board, fees for the Board, fees for the auditors, proposals concerning the election of auditors where appropriate and criteria for how a new nominating committee should be appointed.

#### AUDITORS

Rottneros' auditors are elected at the AGM. At the 2014 AGM, Ernst & Young AB (EY) was elected as the company's auditor for the period up until the 2015 AGM, with authorised public accountant Erik Sandström as auditor in charge. 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 2014 AGM. The auditor attends the AGM to present the auditor's report.

Fees for the public accounting firm for 2014 (including fees for advisory services) are presented in Note 7 of the 2014 Annual Report.

#### BOARD OF DIRECTORS

##### Composition of the Board and fees

According to the Articles of Association, the Board of Directors of Rottneros shall comprise a minimum of three and a maximum of ten members with at most six deputies elected by the AGM. In addition, the employees elect two representatives with two deputies. The Board of Rottneros comprises four members without deputies elected at the AGM, and two members and two deputies appointed by the employees. The principle is that 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. Carl Johan Jonsson, CEO until 6 November 2014, was not a member of the Board. As of 6 November 2014 Board member Per Lundeen was appointed acting CEO of the company; he will continue to serve as a Board member. Other officials of the company are also called in when necessary to present matters.

The company's CFO serves as secretary of the Board. The table on page 35 shows the composition of the Board in 2014 in addition to remuneration paid to Board members for the full years 2014 and 2013 respectively.

#### Evaluation of the Board's work

The Board of Directors conducts systematic evaluation work once a year where members are afforded an opportunity to present their views on work arrangements, Board material, their own and other members' contributions to the Board's work with a view to improving the work of the Board and also furnishing 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. Rule 4.4 of the Code includes criteria to help assess the level of independence.

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. However, it should be noted that Board member Per Lundeen, who was appointed acting CEO as of 6 November 2014, is no longer independent in relation to the company and corporate 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. The Board is also 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 25 April 2014 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 five 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. Ten Board meetings were held in 2014. 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 official 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.
- The results for the first and second quarters are dealt with in April and July.
- Investment plans for the coming financial year, a review of the Group's strategies and the financial performance for the third quarter are dealt with in October.
- 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 releases, interim reports, annual reports, press releases with economic content and presentation materials produced 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 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 on the completed audit at least once a year on the effectiveness of the company's bookkeeping, administration and financial control, 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. However, work was conducted by two of the committees appointed by the Board during the year: the Audit Committee and the Compensation Committee.

#### **Audit Committee**

This Committee comprises four 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 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, evaluating audit work, establishing guidelines for the permitted purchasing of other services from the company's auditors, 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 2014 AGM the Committee has comprised Board members Per Lundeen (through 6 November 2014), Roger Asserståhl, Per Skoglund and Board Chairman Rune Ingvarsson. Per Lundeen chaired the Committee through 6

November 2014, after which Per Skoglund was appointed chairman when Per Lundeen took office as acting CEO.

The Audit Committee held four meetings in 2014 and minutes are forwarded to the Board on an ongoing basis. The auditors attended all of the meetings of the Audit Committee.

#### **Remuneration Committee**

This Committee shall comprise four 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 Compensation Committee within frameworks established by the Board and AGM.

Since the 2014 AGM the Committee has comprised Board members Per Lundeen (through 6 November 2014 when Per Lundeen took office as acting CEO), Roger Asserståhl, Per Skoglund and Board Chairman Rune Ingvarsson.

The Committee held two meetings in 2014 and the Board receives minutes from the Compensation Committee.

#### **PRESIDENT/CEO**

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. This team comprises the CEO and four additional individuals: one head of subsidiary, CFO and two heads of Group staff. Information about the CEO and Group management is shown on page 65 of the 2014 Annual Report. The management team has regular operational reviews led by the CEO, often in conjunction with visits to the various units belonging to the Group. In early 2014 the Group moved its headquarters from Stockholm to Vallvik Mill so that Group management would be closer to the business.

#### **Proposed guidelines for remuneration of senior executives**

The AGM decides on guidelines to determine remuneration for the CEO and other senior executives. The Board's proposed guidelines for the 2015 AGM are stated below. 'Other senior executives' currently means the four people who make up Group management together with the CEO and are presented on the company's website and on page 65 of the 2014 annual report.

The remuneration paid to the CEO and other senior executives comprises fixed salary, possible 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. The variable component of remuneration, which is cash, is to be based on outcomes in relation to defined and measurable targets and is capped in relation to fixed salary. The variable component of pay for the CEO is capped at 50 per cent of fixed salary and the variable component of pay for other senior executives is capped at 30 per cent of fixed salary. The programme for the variable components of pay should be designed so that the Board can impose conditions, restrict or decline to make payments of variable component of pay in exceptional financial circumstances if such a measure is considered to be reasonable and compatible with the duties of the company in relation to shareholders, employees and other interested parties.

The period of notice is between six months and one year should notice be given by the executive, and between one and two years should notice be given by the company. The CEO is entitled to severance pay and a salary during the period of notice of in total up to an amount corresponding to the fixed salary for one year.

Pension benefits are either defined benefit or defined contribution plans or a combination thereof, and entitle the officer to receive a pension from no earlier than the age of 65.

Issues relating to remuneration for the executive management shall be dealt with by the Compensation Committee. Remuneration principles and other employment conditions for the executive management as well as remuneration for the CEO shall be 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.

The Board will conduct an annual evaluation of whether or not to propose a long-term incentive programme at the AGM.

The Board shall be entitled to deviate from the guidelines if there are special reasons to do so in an individual case.

Pay and remuneration for the CEO and other senior executives in 2014 can be found in Note 6 of the 2014 Annual Report for Rottneros.

#### **Variable remuneration**

The variable remuneration for the company's senior executives (i.e. CEO and other people in the Rottneros Group management) is compatible with the guidelines for the remuneration for senior executives determined at the 2014 AGM, which were reported above.

Variable remuneration is dependent on the achievement of targets, which are set annually. These targets are broken down into specified quantitative objectives, financial objectives, results and cash flow, as well as qualitative personal targets, which means that the variable remuneration is related to the individual's efforts and performance.

Variable remuneration for the previous CEO, who stepped down in 2014, was capped at 50 per cent of fixed salary. The current CEO has no variable remuneration for financial year 2014. Variable remuneration for other senior executives is capped at 30 per cent of fixed salary.

As a benchmark, variable remuneration is not qualifying income for pension purposes. The Board can impose conditions, restrict or decline to make payments of variable remuneration in exceptional financial circumstances if the Board considers such measures to be reasonable and compatible with the responsibilities of the company in relation to shareholders, employees and other interested parties.

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

- Articles of Association
- Information from past AGMs (notices, minutes, resolutions, CEO statements)
- Information about the Nominating Committee
- Corporate governance reports from 2008 to 2014 (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 Reports 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, risk assessment, control activities, information, communication 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. 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 contained in Rottneros' important control documents, in the form of 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 mill, where the President, CFO and Group Controller review the respective company's management group. Since the relocation of Group headquarters from Stockholm to Vallvik

Mill, Group management has come closer to the business and thus has closer contact with the management teams of the mills. A specific analysis is conducted of order status, cost follow-up, investments and cash flow. A conference call is held every quarter where the quarterly accounts and the subsidiary's updated forecasts are analysed. The CFO also visits the subsidiaries several times a year. These meetings are supplemented with Heads of Finance meetings several times a year, where the CFO, financial manager of each subsidiary and the Group's Controller meet. At these meetings, particular emphasis is placed on following up any problems and ensuring the accuracy of financial reporting. Forecasts are updated every quarter for all Group companies and there are finance functions, including controllers, both locally and centrally, that compare these forecasts with outcomes and ensure that the financial information is true and accurate.

The Board's Audit Committee meets regularly to deal with issues relating to risks that have been identified. 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 both 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.

The finance functions for Rottneros are found locally at each company and report via a Group-wide reporting system. The Group's Controller also works closely with Heads of Subsidiaries 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 was of the opinion that the business did not need such a function and that it is not economically justifiable for a small organisation.

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.



# PROPOSED APPROPRIATION OF PROFITS

The consolidated income statement and balance sheet will be submitted to the AGM on 20 May 2015 for adoption.

Consolidated accounts 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 results of operations. 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 parent company gives a true and fair summary of the development of the Group's and parent company's operations, financial position and results of operations and describes significant risks and uncertainties faced by the parent company and companies included in the Group.

The Board has considered the company's financial position, cash flows and future prospects in its proposed dividend.

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

## PROPOSED APPROPRIATION OF PROFITS:

Retained earnings	265,479,891
Net profit for the year	57,377,098
SEK	322,856,989

## THE BOARD OF DIRECTORS PROPOSES:

To be distributed to shareholders <sup>1,2</sup>	61,028,770
To be carried forward	261,828,219
Total	322,856,989

<sup>1</sup> After adjustment for repurchased shares in treasury.

<sup>2</sup> Dividend per share is SEK 0.20 plus SEK 0.20 in extra dividend relating to the Utansjö sale

STOCKHOLM, 16 MARCH 2015  
ROTTNEROS AB (PUBL), CORPORATE ID NO. 556013-5872

**Rune Ingvarsson**  
Chairman of the Board

**Per Skoglund**  
Board Member

**Roger Asserstål**  
Board Member

**Per Lundeen**  
Board Member, President and  
CEO

**Mikael Lilja**  
Board Member,  
employee representative

**Bengt-Åke Andersson**  
Board Member,  
employee representative

Our audit report was submitted on 19 March 2015

Ernst & Young AB

**Erik Sandström**  
Authorised Public Accountant

# INCOME STATEMENTS GROUP

## CONSOLIDATED INCOME STATEMENT – 1 JANUARY–31 DECEMBER

Amounts in SEK m	Note	2014	2013
<b>Net turnover</b>	1.8	1,547	1,389
Change in inventories of finished goods		-4	5
Other income	2	45	44
		<b>1,588</b>	<b>1,438</b>
<b>Operating expenses</b>			
Raw materials and consumables	3	-847	-897
Other expenses	7.8	-374	-361
Employee benefit expenses	5.6	-190	-192
Depreciation/amortisation and impairment of property, plant and equipment and intangible assets	11.12	-59	-142
<b>Operating income</b>		<b>118</b>	<b>-154</b>
<b>Financial items</b>			
Financial expenses	9	-4	-4
<b>Total financial items</b>		<b>-4</b>	<b>-4</b>
<b>Income after financial items</b>		<b>114</b>	<b>-158</b>
Tax on profit for the year	10	19	-
<b>INCOME AFTER TAX FOR THE YEAR</b>		<b>133</b>	<b>-158</b>
Earnings per share, SEK <sup>1</sup>		0.87	-1.04
Average number, thousand shares		152,572	152,572

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

## STATEMENT OF COMPREHENSIVE INCOME FOR THE GROUP – 1 JANUARY–31 DECEMBER

Amounts in SEK m	Note	2014	2013
<b>INCOME AFTER TAX FOR THE YEAR</b>		<b>133</b>	<b>-158</b>
<b>Other comprehensive income</b>			
<b>Items that have been or may be transferred to profit or loss for the period</b>			
Change in fair value on cash flow hedges		-11	-16
Cash flow hedges transferred to profit or loss		30	3
Cash flow hedging, tax effect		-4	3
Translation differences		2	-1
<b>Total other comprehensive income</b>		<b>17</b>	<b>-11</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR<sup>2</sup></b>		<b>150</b>	<b>-169</b>

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

# BALANCE SHEETS GROUP

## CONSOLIDATED BALANCE SHEET ON 31 DECEMBER

Amounts in SEK m	Note	2014	2013
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible fixed assets	11	5	5
Property, plant and equipment	12	615	647
Deferred tax assets	10	69	53
Other financial assets	15	2	1
<b>Total fixed assets</b>		<b>691</b>	<b>706</b>
<b>Current assets</b>			
Inventories, etc.	16	255	246
Accounts receivable	17	172	122
Other current receivables	18	50	46
Current tax assets		4	6
Derivatives	4	–	–
Cash and cash equivalents	19	89	35
<b>Total current assets</b>		<b>570</b>	<b>455</b>
<b>TOTAL ASSETS</b>		<b>1,261</b>	<b>1,161</b>

## CONSOLIDATED BALANCE SHEET ON 31 DECEMBER

Amounts in SEK m	Note	2014	2013
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	20	153	153
Other injected capital		730	730
Buy-back of treasury shares		-69	-69
Other reserves		-16	-32
Retained earnings, incl. income after tax for the year		177	43
<b>Total shareholders' equity</b>		<b>975</b>	<b>825</b>
<b>Non-current liabilities</b>			
Interest-bearing	21	30	–
Derivatives	4	9	13
<b>Total non-current liabilities</b>		<b>39</b>	<b>13</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	13	–	60
Accounts payable		104	116
Other non-interest-bearing liabilities	23	140	129
Derivatives	4	3	18
<b>Total current liabilities</b>		<b>247</b>	<b>323</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>1,261</b>	<b>1,161</b>
<b>Pledged assets</b>	13	<b>326</b>	<b>245</b>
<b>Contingent liabilities</b>	24	<b>3</b>	<b>3</b>



# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY GROUP

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY – GROUP 2013

Amounts in SEK m	Share capital	Other injected capital	Buy-back of treasury shares	Other reserves		Retained earnings, incl. income after tax for the year	Total shareholders' equity
				Hedging reserve	Difference		
<b>Opening balance, 1 January 2013</b>	153	730	-69	-13	-9	201	993
<b>Comprehensive income</b>							
Income after tax for the year	–	–	–	–	–	-158	-158
<b>Other comprehensive income</b>							
Cash flow hedging, income after tax	–	–	–	-10	–	–	-10
Exchange rate differences	–	–	–	–	-1	–	-1
<b>Total other comprehensive income</b>	–	–	–	-10	-1	–	-11
<b>Total comprehensive income</b>	–	–	–	-10	-1	-158	-169
<b>Transactions with shareholders</b>							
Dividends to shareholders	–	–	–	–	–	–	–
<b>CLOSING BALANCE, 31 DECEMBER 2013</b>	153	730	-69	-23	-10	44	825

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY – GROUP 2014

Amounts in SEK m	Share capital	Other injected capital	Buy-back of treasury shares	Other reserves		Retained earnings, incl. income after tax for the year	Total shareholders' equity
				Hedging reserve	Difference		
<b>Opening balance, 1 January 2014</b>	153	730	-69	-23	-10	44	825
<b>Comprehensive income</b>							
Income after tax for the year	–	–	–	–	–	133	133
<b>Other comprehensive income</b>							
Cash flow hedging, income after tax*	–	–	–	15	–	–	15
Exchange rate differences	–	–	–	–	2	–	2
<b>Total other comprehensive income</b>	–	–	–	15	2	–	17
<b>Total comprehensive income</b>	–	–	–	15	2	–	17
<b>Transactions with shareholders</b>							
Dividends to shareholders	–	–	–	–	–	–	–
<b>CLOSING BALANCE, 31 DECEMBER 2014</b>	153	730	-69	-8	-8	177	975

\* See note 20

All share capital is attributable to the shareholders of the parent.

# STATEMENTS OF CASH FLOWS GROUP

## CONSOLIDATED STATEMENT OF CASH FLOWS – 1 JANUARY–31 DECEMBER

Amounts in SEK m

	Note	2014	2013
<b>OPERATING ACTIVITIES</b>			
<b>Operating income</b>		<b>118</b>	<b>-154</b>
<b>Adjustments for non-cash items</b>			
Depreciation/amortisation/impairment losses		59	142
		<b>177</b>	<b>-12</b>
Interest received and similar income items		-2	-3
Income tax received/paid		–	–
<b>Cash flow from operating activities before working capital changes</b>		<b>175</b>	<b>-15</b>
<b>Working capital changes</b>			
Change in inventories		-10	-6
Change in current receivables		-65	34
Change in current liabilities (non-interest-bearing)		4	49
<b>Total changes in working capital</b>		<b>-71</b>	<b>77</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>104</b>	<b>62</b>
<b>Investing activities</b>			
Purchase of intangible fixed assets		-1	-1
Purchase of property, plant and equipment		-58	-36
Sale of property, plant and equipment		39	2
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>-20</b>	<b>-35</b>
<b>Financing activities</b>			
Borrowings		30	–
Repayment of debt		-60	-18
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>-30</b>	<b>-18</b>
Cash flow for the year		54	9
Cash and cash equivalents at the beginning of the year		35	26
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	19	<b>89</b>	<b>35</b>
Unutilised credit facilities		145	90

# INCOME STATEMENTS

## PARENT COMPANY

### CONSOLIDATED INCOME STATEMENT – 1 JANUARY–31 DECEMBER

Amounts in SEK m	Note	2014	2013
Net turnover	1.8	6	6
Other income	2	-1	9
		<b>5</b>	<b>15</b>
<b>Operating expenses</b>			
Other expenses	7.8	-36	-35
Employee benefit expenses	5.6	-23	-26
Depreciation/amortisation and impairment of property, plant and equipment and intangible assets	11.12	0	0
<b>Operating income</b>		<b>-54</b>	<b>-46</b>
<b>Financial items</b>			
Income from participations in Group companies		98	-45
Financial income		-5	1
Financial expenses	9	-3	-3
<b>Total financial items</b>		<b>90</b>	<b>-47</b>
<b>Income after financial items</b>		<b>36</b>	<b>-93</b>
Tax on profit for the year	10	21	-
<b>INCOME AFTER TAX FOR THE YEAR</b>		<b>57</b>	<b>-93</b>

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

Amounts in SEK m	Note	2014	2013
<b>INCOME AFTER TAX FOR THE YEAR</b>		<b>57</b>	<b>-93</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>57</b>	<b>-93</b>



# BALANCE SHEETS PARENT COMPANY

## BALANCE SHEET FOR PARENT COMPANY ON 31 DECEMBER

Amounts in SEK m	Note	2014	2013
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible fixed assets	11	5	4
Property, plant and equipment	12	1	1
Financial assets	15	231	231
Deferred tax assets	10	41	20
<b>Total fixed assets</b>		<b>278</b>	<b>256</b>
<b>Current assets</b>			
Current tax assets		0	2
Other current receivables	18	630	698
Cash and cash equivalents	19	72	1
<b>Total current assets</b>		<b>702</b>	<b>701</b>
<b>TOTAL ASSETS</b>		<b>980</b>	<b>957</b>

## BALANCE SHEET FOR PARENT COMPANY ON 31 DECEMBER

Amounts in SEK m	Note	2014	2013
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>	20		
Share capital		153	153
Statutory reserve		440	440
Retained earnings		265	358
Income after tax for the year		57	-93
<b>Total shareholders' equity</b>		<b>915</b>	<b>858</b>
<b>Current liabilities</b>			
Interest-bearing liabilities		1	0
Accounts payable		1	0
<b>Current liabilities</b>			
Interest-bearing liabilities	13	0	46
Accounts payable		11	10
Other non-interest-bearing liabilities	23	53	43
<b>Total current liabilities</b>		<b>64</b>	<b>99</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>980</b>	<b>957</b>
<b>Pledged assets</b>	13	<b>231</b>	<b>231</b>
<b>Contingent liabilities</b>	24	<b>3</b>	<b>3</b>

# CHANGES IN SHAREHOLDERS' EQUITY – PARENT COMPANY

## CHANGES IN SHAREHOLDERS' EQUITY – PARENT COMPANY 2013

Amounts in SEK m	Share capital	Statutory reserve	Share premium reserve	Other non-restricted capital	Total shareholders' equity
<b>Opening balance, 1 January 2013</b>	<b>153</b>	<b>440</b>	<b>268</b>	<b>90</b>	<b>951</b>
Income after tax for the year	–	–	–	-93	-93
<b>CLOSING BALANCE, 31 DECEMBER 2013</b>	<b>153</b>	<b>440</b>	<b>268</b>	<b>-3</b>	<b>858</b>

## CHANGES IN SHAREHOLDERS' EQUITY – PARENT COMPANY 2014

Amounts in SEK m	Share capital	Statutory reserve	Share premium reserve	Other non-restricted capital	Total shareholders' equity
<b>Opening balance, 1 January 2014</b>	<b>153</b>	<b>440</b>	<b>268</b>	<b>-3</b>	<b>858</b>
Income after tax for the year	–	–	–	57	57
<b>CLOSING BALANCE, 31 DECEMBER 2014</b>	<b>153</b>	<b>440</b>	<b>268</b>	<b>54</b>	<b>915</b>

# STATEMENTS OF CASH FLOWS PARENT COMPANY

## STATEMENT OF CASH FLOWS – PARENT COMPANY 1 JANUARY–31 DECEMBER

Amounts in SEK m	Note	2014	2013
<b>OPERATING ACTIVITIES</b>			
<b>Operating income</b>		<b>-54</b>	<b>-46</b>
<b>Adjustments for non-cash items</b>			
Other items not affecting the cash flow		–	–
		<b>-54</b>	<b>-46</b>
Interest received and similar income items		–	–
Interest paid and similar income items		-7	-2
Income tax received/paid		–	–
<b>Cash flow from operating activities before working capital changes</b>		<b>-61</b>	<b>-48</b>
<b>Working capital changes</b>			
Change in current receivables		169	28
Change in current liabilities (non-interest-bearing)		10	43
<b>Total changes in working capital</b>		<b>179</b>	<b>71</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>118</b>	<b>23</b>
<b>Investing activities</b>			
Purchase of intangible fixed assets		-1	-1
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>-1</b>	<b>-1</b>
<b>Financing activities</b>			
Borrowings		–	–
Group contribution received/paid		–	–
Dividend received		–	–
Repayment of debt		-46	-27
Dividend paid		–	–
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>-46</b>	<b>-27</b>
Cash flow for the year		71	-5
Cash and cash equivalents at the beginning of the year		1	6
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>72</b>	<b>1</b>
Unutilised credit facilities		90	90



# 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, International Financial Reporting Standards (IFRS) and the interpretation statements issued by the International Financial Reporting Interpretations Committee (IFRIC), 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.

The parent company applies the same accounting policies with the exceptions and amendments stipulated by RFR 2 'Accounting for Legal Entities'. The parent company's accounting policies are described in the section entitled 'The Parent Company's Accounting Policies'.

### AMENDMENTS OF ACCOUNTING POLICIES AND DISCLOSURES Standards, amendments and interpretations that entered into force in 2014, were adopted by the EU and applied by the Group

The accounting policies applied are the same as those applied in the consolidated financial statements for 2013 except for the following new and revised standards and interpretations effective from 1 January 2014:

**Amendments to IAS 32** Offsetting financial assets and liabilities: The standard clarifies existing application issues relating to the requirements for offset of financial assets and financial liabilities. The amendments entered into force on 1 January 2014 and have not had any material impact on the Group's reports.

**IFRS 10** Consolidated Financial Statements, **IFRS 11** Joint Arrangements, **IFRS 12** IFRS 12 Disclosure of Interests in Other Entities, **IAS 27** Separate Financial Statements (Revised 2011) and **IAS 28** Investments in Associates and Joint Ventures (Revised 2011): These standards started to apply within the EU to financial years beginning on 1 January 2014 or later. They have not had any material impact on the Group's reports.

There are no comments on other changes to IFRS since these have had no material impact on the consolidated financial statements.

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

Only those standards, amendments and interpretations that are expected to affect the Group are described below.

### IFRIC 21 Levies

The interpretation clarifies when a liability to pay a levy should be recognised by an entity. The interpretation will apply from 1 January 2015 and is expected to have only a limited impact on the consolidated financial statements.

### Standards, amendments and interpretations not yet approved by the EU

Only those standards, amendments and interpretations that are expected to affect the Group are described below.

### IFRS 9, Financial Instruments: Recognition and Measurement

IFRS 9 Financial Instruments enters into force on 1 January 2018 and will replace IAS 39 Financial Instruments: Recognition and Measurement. Various parts of the new standard have been revised, with one part relating to the recognition and measurement of financial assets and financial liabilities. The EU has yet to approve the standard. The Group has yet to assess the effects of the new standard.

### IFRS 15, Revenue from Contracts with Customers

IFRS 15 will come into effect beginning in 2017. The standard will replace all previously issued standards and interpretations addressing income. IFRS 15 contains a comprehensive revenue recognition model for all contracts with customers. The Group has yet to assess the effects of the new standard.

## CONSOLIDATED ACCOUNTING PRINCIPLES

### COMPOSITION OF THE GROUP

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 accounts are prepared in accordance with the acquisition method. This method means that the equity in the subsidiary at the time of acquisition is eliminated in full. Only the income arising after the acquisition date is included in the Group's equity. The equity in the acquired subsidiary is determined on the basis of a fair value measurement of the assets and liabilities on the acquisition date. In cases where the fair value measurement of assets and liabilities indicates materially different values compared to the acquired company's book values, these fair values are deemed to constitute the Group's acquisition cost. The difference between the cost of the subsidiary's shares and the value of the equity calculated on the acquisition date is reported as goodwill on consolidation where applicable. Acquisition-related expenses are carried as an expense when they arise.

Goodwill is initially valued as the amount by which the total purchase price and the fair value of any non-controlling interests exceed the fair value of the identifiable assets acquired and liabilities assumed. If the purchase price is lower than the fair value of the acquired company's net assets, the difference is recorded directly in the income statement.

Intra-group transactions, balance sheet items, revenues and expenses for transactions between Group companies are eliminated. Profits and losses resulting from intra-group transactions that are recognised in assets are also 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 recorded 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 10.

## 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 day 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 recognised as a reclassification adjustment from the statement of comprehensive income for the Group to the consolidated income statement.

## REVENUE

Sales of goods are recognised when products are delivered to the customer in accordance with the terms of the sale. Sales are recognised net of VAT and discounts and thus correspond to the fair value of the consideration received or receivable.

The Group recognises a revenue when its amount can be measured reliably and it is probable that future economic benefits will flow to the company. This assessment is based on the historical outcome and takes into consideration the kind of customer, kind of transaction and specific circumstances of each individual case.

Interest income is recognised as revenue using the effective interest method, and dividend income is recognised when the right to receive payment is established.

## 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. An exception to this is when the transactions constitute hedging that meets the conditions for the hedge accounting of cash flows, when profits/losses are recognised in 'Other comprehensive income'.

Receivables and liabilities in foreign currencies are valued at the closing day rate. The difference between cost and the value on the reporting date has been included in the income.

## INVENTORIES

Inventories mainly comprise raw materials and consumables together with pulp.

Inventories are measured at the lower of cost (in accordance with the FIFO principle) and net realisable value. Net realisable value is the selling price after deductions for selling overhead expenditure.

## 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

Where a lease agreement means that the Group, as lessee, essentially enjoys the financial benefits and bears the financial risks attributable to the lease object, the object is recognised as a fixed asset in the consolidated balance sheet. A corresponding obligation to pay future lease payments is recognised as a long-term or short-term interest-bearing liability. Each lease payment is apportioned between

repayment of debt and financial expenses. The interest element of the financial cost is recognised in the income statement, allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Fixed assets held under financial lease agreements are depreciated over the shorter of the asset's useful life and the lease term.

Other leases are recognised as operating leases and are carried as an expense on a straight-line basis over the lease term.

## PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost after deducting any accumulated depreciation and impairment losses according to plan. Expenditures for repairs and maintenance are recognised as a cost in the period it arises. Subsequent costs are added to the carrying amount of the asset or recognised as a separate asset.

## INTANGIBLE ASSETS

Trademarks and licences acquired are carried at cost. Software licences acquired are capitalised on the basis of the costs that arose to commission the software. Intangible fixed assets under development are carried at cost. All intangible assets have finite useful lives.

## DEPRECIATION/AMORTISATION

Depreciation/amortisation according to plan 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 Group applies component depreciation. 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
Intangible fixed assets under development	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

An impairment test shall be performed in cases where there are indications that the value of an asset exceeds its estimated recoverable amount. The recoverable amount is the higher of the asset's net realisable value and its value in use. For assets that have previously been impaired, a test is conducted on each reporting date of whether a reversal should be effected.

## 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 carry-forwards. Deferred tax is calculated using the tax rates (and laws) that have been established or where notice has been given as of the reporting 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 SEK 3 million (SEK 3 million). 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 143 per cent (148 per cent) at the end of 2014. 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.

## RESEARCH AND DEVELOPMENT COSTS

Development work forms an integral part of production and refers to measures to improve processes and quality, the costs of which are carried as an expense when they are incurred.

## 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 recorded 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 ASSETS

Financial assets recognised in the balance sheet include derivative instruments and accounts receivable. 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.

## 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 4. Changes in the hedging reserve in shareholders' equity are shown in Note 20. 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. The ineffective portion of the gain or loss is immediately recognised in the income statement under the item 'Other income' for currency futures and pulp futures and under the item 'Raw materials and consumables' for electricity futures.

## Accounts receivable

The only balance sheet item covered by this category is 'Accounts receivable'. Accounts receivable are amounts to be paid by customers for goods sold in operating activities. They are included in current assets with the exception of items maturing more than twelve months after the reporting date, which are classified as 'fixed assets'. Accounts receivable are initially recognised at fair value and subsequently at amortised cost less any provisions for impairment. The fair value of accounts receivable with short credit periods corresponds to nominal value. A provision is made for impairment when there is objective evidence that the Group will not be able to receive all amounts due. This sum in reserve is recognised in the income statement and included under the item 'Other costs'.

## Financial risk management

Rottneros is exposed to various risks arising from financial instruments. According to IFRS 7, the financial statements must include qualitative and quantitative disclosures that enable users of the financial statements to evaluate the nature and extent of risks arising from financial instruments to which the company is exposed at the end of the reporting period. Rottneros records such information first in its notes and second in detail in the section 'Opportunities and risks'; see pages 29 to 33.

## 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 reporting date.

### **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. The valuation of deferred tax assets is an area that involves a high level of judgment on the part of Rottneros and where assumptions and estimates are of material importance for the consolidated accounts.

#### **Deferred tax assets**

Deferred tax assets are recognised for tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised. Deferred tax assets for tax loss carryforwards as of 31 December 2014 amounted to SEK 69 million. The amount was affected during the year by the use of previously capitalised unused tax losses of SEK 25 million. Based on profit for the year and the company's assessment of developments over the next few years, additional unused tax losses were capitalised during the year. At the turn of the year the deferred tax asset relating to unused tax losses was SEK 67 million, equivalent to SEK 302 million in tax loss carryforwards. There was also an unused tax loss of SEK 98 million, for which deferred tax assets have not been recorded.

Note 10 provides further information about the assessment of opportunities to use tax loss carryforwards.

### **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 reported at the parent company as normal 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.

Dividends received are recognised when the right to receive a dividend is deemed to be certain.

Due to the link between accounting and taxation, the deferred tax liability on untaxed reserves is recognised by the parent company as part of untaxed reserves.

Joint risk management applies to all entities within the Group. Consequently, the description contained in the section 'Opportunities and Risks' (see pages 29 to 33) also applies in all essential respects to the parent company. However the parent company has no production or sales activities, and the risks associated with these areas are thus irrelevant to the parent company.

## NOTE 1.

### GEOGRAPHICAL DISTRIBUTION OF TURNOVER

Net turnover refers to sales of pulp delivered to geographic markets as follows:

	2014		2013	
		%		%
Sweden	182	12%	147	11%
Other Nordic countries	92	6%	104	7%
Germany	306	20%	319	22%
Italy	141	9%	119	9%
Netherlands	34	2%	72	5%
France	29	2%	31	2%
Poland	76	5%	50	4%
Rest of Europe	245	16%	175	13%
US	182	12%	164	12%
China	52	3%	43	3%
Rest of world	209	13%	165	12%
<b>Total</b>	<b>1,547</b>	<b>100%</b>	<b>1,389</b>	<b>100%</b>

The Group does not have any single customer representing more than 10 per cent of sales. Of the Parent Company's net sales, 100 percent (100) relates to wholly owned subsidiaries and consists of received management fees and further invoiced staff costs.

## NOTE 2.

### OTHER INCOME

Other operating income	Group		Parent Company	
	2014	2013	2014	2013
Income from sale of fixed assets	4	–	4	–
Sale of by-products	24	26	–	–
Currency return	16	–	–	–
Futures – pulp	-14	4	-14	–
Currency futures – cash flow hedging	7	2	1	2
Sale of green electricity certificates	4	4	–	–
Emission allowances	1	–	–	–
Other	3	8	8	–
<b>Total</b>	<b>45</b>	<b>44</b>	<b>-1</b>	<b>2</b>

## NOTE 3.

### RAW MATERIALS AND CONSUMABLES

	Group		Parent Company	
	2014	2013	2014	2013
Electricity futures – cash flow hedging	-17	-9	–	–
Other costs for raw materials and consumables	-830	-888	–	–
<b>Total</b>	<b>-847</b>	<b>897</b>	<b>–</b>	<b>–</b>

<sup>1</sup> The income for electricity futures is classified as 'other external expenses' at the parent company. The portion charged to 'other external expenses' amounted to SEK -17 (-9) million for 2014.

## NOTE 4.

### FINANCIAL INSTRUMENTS

The following tables show financial instruments measured at fair value on the basis of 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 inputs (i.e., unobservable inputs) (Level 3).

#### Derivatives

31 December 2014	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Derivative instruments used for hedging purposes	–	3	–	3
<b>Total</b>	<b>–</b>	<b>3</b>	<b>–</b>	<b>3</b>
<b>Liabilities</b>				
Derivative instruments used for hedging purposes	–	13	–	13
<b>Total</b>	<b>–</b>	<b>13</b>	<b>–</b>	<b>13</b>

#### Derivatives

at 31 December 2013	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Derivative instruments used for hedging purposes	–	–	–	–
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Liabilities</b>				
Derivative instruments used for hedging purposes	–	31	–	31
<b>Total</b>	<b>–</b>	<b>31</b>	<b>–</b>	<b>31</b>

### Financial instruments for each category

31 December 2014	Loan receivables and accounts receivable	Derivatives for hedging purposes	Total
<b>Assets</b>			
Derivatives	–	3	3
Accounts receivable and other receivables, excluding non-financial assets	199	–	199
Cash and cash equivalents	89	–	89
<b>Total</b>	<b>288</b>	<b>3</b>	<b>292</b>
	Derivatives for hedging purposes	Other financial liabilities	Total
<b>Liabilities</b>			
Derivatives	13	–	13
Borrowing	–	30	30
Accounts payable and other liabilities, excluding non-financial liabilities	–	115	115
<b>Total</b>	<b>13</b>	<b>145</b>	<b>158</b>

### Financial instruments for each category

at 31 December 2013	Loan receivables and accounts receivable	Derivatives for hedging purposes	Total
<b>Assets</b>			
Derivatives	–	–	–
Accounts receivable and other receivables, excluding non-financial assets	160	–	160
Cash and cash equivalents	35	–	35
<b>Total</b>	<b>195</b>	<b>–</b>	<b>195</b>
	Derivatives for hedging purposes	Other financial liabilities	Total
<b>Liabilities</b>			
Derivatives	31	–	31
Borrowing	–	60	60
Accounts payable and other liabilities, excluding non-financial liabilities	–	133	133
<b>Total</b>	<b>31</b>	<b>193</b>	<b>224</b>

### Derivatives

	2014		2013	
	Assets	Liabilities	Assets	Liabilities
Currency futures – cash flow hedging	2	–	–	2
Electricity futures – cash flow hedging	–	–	–	4
Electricity futures – cash flow hedging	–	13	–	25
<b>Total</b>	<b>2</b>	<b>13</b>	<b>–</b>	<b>31</b>
Minus non-current portion:				
Currency futures – cash flow hedging	1	–	–	-2
Electricity futures – cash flow hedging	–	–	–	–
Electricity futures – cash flow hedging	–	-9	–	-11
<b>Current portion</b>	<b>1</b>	<b>4</b>	<b>–</b>	<b>18</b>

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

The ineffective portion, which is recognised in the income statement, is SEK 0 (0) million in respect of cash flow hedging.

The maximum exposure for credit risk on the reporting date is the fair value of the derivative instruments recognised as assets in the balance sheet. The value of derivative instruments amounts to approximately two per cent of consolidated total assets.

### Market value of hedging derivatives on 31 December 2014

Market value (SEK m) December 2014	Hedged volume	Hedging level	Market value	Reference value, spot 30 Dec. 2014
Currency EUR, futures sold	EUR 1 m	8.84 SEK/EUR	-1	9.46 SEK/EUR
Currency EUR, futures purchased	EUR 5.7 million	9.06 SEK/EUR	3	9.48 SEK/EUR
Electricity	175,368 MWh	38 öre/kWh	-13	27.5 öre/kWh
<b>Total market value</b>			<b>-10</b>	

### Market value of hedging derivatives on 31 December 2013

Market value (SEK m) December 2013	Hedged volume	Hedging level	Market value	Reference value, spot
Currency USD, futures sold	EUR 1 m	8.84 SEK/EUR	–	8.97 SEK/EUR
Currency EUR, futures purchased	EUR 10 m	9.17 SEK/EUR	-2	8.94 SEK/EUR
Pulp futures	18,000 tonnes	SEK 5,720 (PIX)	-4	SEK 5,929 (PIX)
Electricity	339,449 MWh	36.3 öre/kWh	-25	28.9 öre/kWh
<b>Total market value</b>			<b>-31</b>	

The market valuation was conducted by independent parties and refers to the break-up value of futures on the reporting date.

The reference value refers to spot rates on the reporting date.

The most significant opportunities and risks for the Rottneros Group are related to the performance of pulp prices in USD, the USD rate and electricity prices. Rottneros is working to lower volatility in its results and to create a secure platform from which to avoid loss-making periods by financially hedging these risks.

A more detailed description of the opportunities and risks, together with a sensitivity analysis, can be found in a separate section; see pages 29 to 33.



## NOTE 5. PERSONNEL

	2014		2013	
	Average no. of employees	of whom men %	Average no. of employees	of whom men %
Parent Company	7	75	7	71
Subsidiaries	244	84	249	83
<b>Group, total</b>	<b>251</b>	<b>84</b>	<b>256</b>	<b>82</b>
Of which				
Sweden	248	84	251	83
Latvia	3	67	5	60
	<b>251</b>	<b>84</b>	<b>256</b>	<b>82</b>

Salaries and remuneration	2014			2013		
	Pay and other remuneration	Social security contributions	(of which pension expenses) <sup>1</sup>	Pay and other remuneration	Social security contributions	(of which pension expenses) <sup>1</sup>
Parent Company	14	8	4	18	9	3
Subsidiaries	122	46	8	120	46	6
<b>Group, total<sup>2</sup></b>	<b>136</b>	<b>54</b>	<b>12</b>	<b>138</b>	<b>55</b>	<b>9</b>

<sup>1</sup> SEK 2.5 (3.0) million of the parent company's pension expenses relate to the CEO and other senior executives. There are no pension expenses or pension commitments for the Board of Directors.

<sup>2</sup> SEK 3.0 (3.6) million of the Group's pension expenses relate to the CEO/MDs and other senior executives.

Pay and other remuneration distributed between the Board of Directors and CEO/managing directors and other employees:

SEK MILLION	2014			2013		
	Board, CEO, managing directors and other senior executives (of which variable remuneration)	Other employees	Other employees	Board, CEO, managing directors and other senior executives (of which variable remuneration)	Other employees	Other employees
Parent Company	11	0	3	17	0	1
Subsidiaries	1	0	121	1	0	118
<b>Group, total</b>	<b>12</b>	<b>0</b>	<b>124</b>	<b>18</b>	<b>0</b>	<b>119</b>

The departing CEO of the parent company, Carl-Johan Jonsson, received a salary and remuneration of SEK 2.7 (1.4) million for the period of January to December. In addition, a provision of SEK 5.5 million was set aside for severance pay. A salary of SEK 0 (2.1) million was paid to the departing CEO Ole Terland. The Chairman of the Board was paid remuneration of SEK 0.5 (0.5) million.

## NOTE 6. 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 four people who make up Group management together with the CEO. See page 65 for the composition of Group management.

### 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 the Group's financial objectives, results and cash flow, and also qualitative personal targets, which means that the variable remuneration is related to the individual's efforts and performance. Variable remuneration for the CEO is capped at 50 per cent of fixed salary. Variable remuneration for other senior executives is capped at 30 per cent of fixed salary. As a benchmark, variable remuneration is not qualifying income for pension purposes. 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 interested parties.

### PENSIONS

The retirement age for the CEO is 65 years. The pension premium amounts to 35 per cent 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.

### 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 12 monthly salaries. A period of notice of between six months and one year 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 one and two years.

### DECISION-MAKING PROCESS

All matters relating to the remuneration of the executive management are dealt with by the Compensation Committee, except in respect of the CEO and the principles for remuneration for the executive management, which 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.

See Corporate Governance Report in respect of proposed guidelines for senior executives for 2014.

Remuneration and other benefits in 2014 (SEK m)	Basic salary/Directors' fees	Variable remuneration	Other benefits	Pensions expenses	Other remuneration	Total

Chairman of Board, Rune Ingvarsson	0.5	–	–	–	–	0.5
Board Member, Per Lundeen	0.3	–	–	–	–	0.3
Board Member, Roger Asserståhl	0.3	–	–	–	–	0.3
Board Member, Claes Aurell	–	–	–	–	–	–
Board Member, Kjell Olsson	–	–	–	–	–	–
Board Member and CEO, Per Lundeen <sup>1</sup>	0.3	–	–	–	0.7	1.0
Chief Executive Officer, Carl-Johan Jonsson <sup>2</sup>	2.5	–	0.2	0.9	5.5	9.1
Ernst Almqvist	–	–	–	–	–	–
Other senior executives (four people)	2.5	0.8	0.1	1.1	1.8	6.3
<b>Total</b>	<b>6.4</b>	<b>0.8</b>	<b>0.3</b>	<b>2.0</b>	<b>8</b>	<b>17.5</b>

<sup>1</sup> Acting CEO from 6 November

<sup>2</sup> CEO until 5 November

Remuneration and other benefits in 2013 (SEK m)	Basic salary/ Directors' fees	Variable remuneration	Other benefits	Pensions expenses	Other remuneration	Total
Chairman of Board, Rune Ingvarsson	0.3	–	–	–	–	0.3
Board Member, Ernst Almqvist	–	–	–	–	–	–
Board Member, Roger Asserståhl	0.3	–	–	–	–	0.3
Board Member, Claes Aurell	–	–	–	–	–	–
Board Member, Per Lundeen	0.3	–	–	–	–	0.3
Board Member, Kjell Olsson	–	–	–	–	–	–
Chief Executive Officer, Carl-Johan Jonsson	1.3	–	0.1	0.5	–	1.9
Chief Executive Officer, Departing, Ole Terland	2.0	–	0.1	1.4	7.7	11.2
Other senior executives (four people)	5.1	0.6	0.3	1.7	–	7.7
<b>Total</b>	<b>9.1</b>	<b>0.6</b>	<b>0.5</b>	<b>3.6</b>	<b>7.7</b>	<b>21.5</b>

#### COMMENTS ON THE TABLE

- Variable remuneration refers to what is charged to the income for 2014 and 2013 respectively. Variable remuneration for 2014 is paid out in 2015.
- Other benefits refer to company cars.
- There are two employee representatives and two deputies on the Board of Directors. They are Mikael Lilja, Bengt Åke Andersson, Gun-Marie Nilsson and Tomas Wasberg. They each received a fee of SEK 25,000 per person for the time needed to read materials prior to meetings.
- The group of senior executives (five people in total) comprised five men at the end of the year. The Board of Directors (six people in total) comprised six men at the end of the year. This information applies to both the parent company and the Group. Claes Aurell, Kjell Olsson and Ernst Almqvist were members of the Board until the AGM in 2014, but did not receive compensation.

## NOTE 7. AUDIT EXPENSES

	Group		Parent Company	
	2014	2013	2014	2013
Audit engagement (EY)	1.2	0.9	0.5	0.4
Audit business in addition to the audit engagement (EY)	0.1	–	0.1	–
Other services	–	0.4	–	0.3
<b>Total</b>	<b>1.3</b>	<b>1.3</b>	<b>0.6</b>	<b>0.7</b>

## NOTE 8. TRANSACTIONS WITH RELATED PARTIES AND PARENT COMPANY

Arctic Paper S.A. (parent company of Rottneros AB) owned 51.1 per cent 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 Kostrzyn S.A.
- Arctic Paper Munkedals AB
- Arctic Paper Mochenwangen GmbH
- Arctic Paper Grycksbo AB

The following table shows the total amount of transactions with the above-mentioned related parties that occurred in 2014 and 2013 respectively. Goods are sold on the same terms as for non-related parties but with a lower degree of credit insurance owing to the group relationship between Arctic Paper and Rottneros.

Related party	Sales, 2014	Sales, 2013	Accounts receivable 31-Dec-14	Accounts receivable 31-Dec-13
Arctic Paper S.A. Group	96	88	14	8
<b>TOTAL</b>	<b>96</b>	<b>88</b>	<b>14</b>	<b>8</b>

Receivables for related parties derive in full from sales transactions, and no provisions have been made for doubtful receivables for related parties.

One hundred (100) per cent of the parent company's net turnover comprised turnover from subsidiaries and 1 (1) of its operating costs related to purchases from subsidiaries.

## NOTE 9. FINANCIAL EXPENSES

	Group		Parent Company	
	2014	2013	2014	2013
<b>Financial expenses</b>				
Interest expenses	-4	-4	-3	-2
<b>Total</b>	<b>-4</b>	<b>-4</b>	<b>-3</b>	<b>-2</b>

## NOTE 10. TAX ON PROFIT FOR THE YEAR

	Group		Parent Company	
	2014	2013	2014	2013
Deferred tax	20	-	21	-
<b>Total</b>	<b>20</b>	<b>-</b>	<b>21</b>	<b>-</b>

### Difference between the Group's tax expense and tax expense based on the applicable tax rate

	Group		Parent Company	
	2014	2013	2014	2013
<b>Income for the year before tax</b>	<b>114</b>	<b>-158</b>	<b>36</b>	<b>-93</b>
Tax at applicable tax rate	-25	35	-8	21
Tax effect of non-deductible items	-1	-	-1	-
Tax effect of non-taxable items	1	-	2	-
Tax effect of adjusting temporary differences	-	-	-	-
Tax effect of changed tax rate	-	-	-	-
Tax effect of non-capitalised unused tax losses	-	-35	-	-21
Tax effect of previously non-capitalised unused tax losses	45	-	28	-
Effect of foreign tax rates	-	-	-	-
<b>Total</b>	<b>20</b>	<b>-</b>	<b>21</b>	<b>-</b>

### TAX RATES

The applicable tax rate is 22.0 per cent (22.0 per cent).

### TEMPORARY DIFFERENCES

Temporary differences exist where the carrying amount of assets or liabilities differs from its tax base. Temporary differences relating to the following items have resulted in deferred tax liabilities and deferred tax assets:

Group	Unused tax losses	Derivatives	Total
<b>As of 1 January 2013</b>	<b>47</b>	<b>3</b>	<b>50</b>
Recognised in income statement	-	-	-
Recognised in other comprehensive income	-	3	3
<b>As of 31 December 2013</b>	<b>47</b>	<b>6</b>	<b>53</b>
Recognised in income statement	20	-	20
Recognised in other comprehensive income	-	-4	-4
<b>As of 31 December 2014</b>	<b>67</b>	<b>2</b>	<b>69</b>

Deferred tax assets are recognised for tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised. Rottneros operates in a market where the volatility of pulp price and exchange rates means that the income may vary significantly between different years. However, it is considered that there will be a positive return over a business cycle. The Group recorded deferred tax assets of SEK 67 million as of 31 December 2014 corresponding to a tax loss of SEK 300 million. In addition to this, there are tax loss carryforwards of SEK 98 million, for which deferred tax has not been recorded.

The Group's valuation of capitalised tax loss carryforwards is based on the budget for next year and also forecasts for a further three to four years. Based on current assumptions and calculations, it is considered that the recorded deferred tax asset will be utilised within a three-year period.

All unused tax losses are attributable to Swedish legal entities and have no pre-determined due date according to applicable tax provisions.

	Group		Parent Company	
	2014 31 Dec.	2013 31 Dec.	2014 31 Dec.	2013 31 Dec.
Deferred tax assets, current	-	-	-	-
Deferred tax assets, long-term	69	53	41	19
Deferred tax liabilities, current	-	-	-	-
Deferred tax liabilities, long-term	-	-	-	-
<b>Total</b>	<b>69</b>	<b>53</b>	<b>41</b>	<b>19</b>

Deferred tax assets in the parent company relate to capitalised unused tax losses. 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	
	2014 31 Dec.	2013 31 Dec.	2014 31 Dec.	2013 31 Dec.
Deferred tax assets	69	53	41	19
Deferred tax liabilities	-	-	-	-
<b>TOTAL</b>	<b>69</b>	<b>53</b>	<b>41</b>	<b>19</b>

## NOTE 11. INTANGIBLE FIXED ASSETS

Group	31 Dec. 2014					31 Dec. 2013				
	Software	Trade- marks	Licences	Assets under develop- ment	Total	Software	Trade- marks	Licences	Assets under develop- ment	Total
Opening cost	38	25	2	4	69	38	25	2	4	69
Acquisitions for the year	–	–	–	1	1	–	–	–	–	–
<b>Closing accumulated cost</b>	<b>38</b>	<b>25</b>	<b>2</b>	<b>5</b>	<b>70</b>	<b>38</b>	<b>25</b>	<b>2</b>	<b>4</b>	<b>69</b>
Opening depreciation	-38	-25	-2	–	-65	-38	-25	-2	–	-65
Depreciation for the year	–	–	–	–	–	–	–	–	–	–
<b>Closing accumulated depreciation</b>	<b>-38</b>	<b>-25</b>	<b>-2</b>	<b>–</b>	<b>-65</b>	<b>-38</b>	<b>-25</b>	<b>-2</b>	<b>–</b>	<b>-65</b>
<b>CLOSING RESIDUAL VALUE ACCORDING TO PLAN</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5</b>	<b>5</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4</b>	<b>4</b>

Software includes maintenance systems and production control systems.

Parent Company	31 Dec. 2014			31 Dec. 2013		
	Software	Assets under development	Total	Software	Assets under development	Total
Opening cost	15	4	19	15	4	19
Acquisitions for the year	–	1	1	–	–	–
<b>Closing accumulated cost</b>	<b>15</b>	<b>5</b>	<b>20</b>	<b>15</b>	<b>4</b>	<b>19</b>
Opening depreciation	-15	–	-15	-15	–	-15
Depreciation for the year	–	–	–	–	–	–
<b>Closing accumulated depreciation</b>	<b>-15</b>	<b>–</b>	<b>-15</b>	<b>-15</b>	<b>–</b>	<b>-15</b>
<b>CLOSING RESIDUAL VALUE ACCORDING TO PLAN</b>	<b>–</b>	<b>5</b>	<b>5</b>	<b>–</b>	<b>4</b>	<b>4</b>



## NOTE 12.

### PROPERTY, PLANT AND EQUIPMENT

Group	31 Dec. 2014							31 Dec. 2013						
	Land	Land im-provements	Build-ings	Machin-ery	Equip-ment	Constr. in pro-gress/ advs.	Total	Land	Land im-provements	Build-ings	Ma-chinery	Equip-ment	Constr. in pro-gress/ advs.	Total
Opening cost	3	21	83	1,786	53	28	1,974	3	21	83	1,755	54	24	1,940
Purchases/advances	-	-	-	5	-	46	51	-	-	-	31	1	4	36
Sales/disposals	-	-	-	-262	-	-	-262	-	-	-	-	-2	-	-2
Items transferred during the year	-	5	6	6	-	-17	-	-	-	-	-	-	-	-
<b>Closing accumulated cost</b>	<b>3</b>	<b>26</b>	<b>89</b>	<b>1,535</b>	<b>53</b>	<b>57</b>	<b>1,763</b>	<b>3</b>	<b>21</b>	<b>83</b>	<b>1,786</b>	<b>53</b>	<b>28</b>	<b>1,974</b>
Opening depreciation	-	-9	-44	-1,109	-41	-	-1,203	-	-8	-39	-1,039	-40	-	-1,126
Sales/disposals	-	-	-	120	-	-	120	-	-	-	-	1	-	1
Depreciation for the year	-	-1	-5	-51	-1	-	-58	-	-1	-5	-70	-2	-	-78
<b>Closing accumulated depreciation</b>	<b>-</b>	<b>-10</b>	<b>-49</b>	<b>-1,040</b>	<b>-42</b>	<b>-</b>	<b>-1,141</b>	<b>-</b>	<b>-9</b>	<b>-44</b>	<b>-1,109</b>	<b>-41</b>	<b>-</b>	<b>-1,203</b>
Opening impairment loss	-	-	-	-117	-9	2	-124	-	-	-	-53	-8	2	-59
Sales/disposals	-	-	-	117	-	-	117	-	-	-	-	-1	-	-1
Impairment loss for the year	-	-	-	-	-	-	-	-	-	-	-80	-	-	-80
Impairment losses reversed	-	-	-	-	-	-	-	-	-	-	16	-	-	16
<b>Closing accumulated impairment losses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-9</b>	<b>2</b>	<b>-7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-117</b>	<b>-9</b>	<b>2</b>	<b>-124</b>
<b>CLOSING RESIDUAL VALUE ACCORDING TO PLAN</b>	<b>3</b>	<b>16</b>	<b>40</b>	<b>495</b>	<b>2</b>	<b>59</b>	<b>615</b>	<b>3</b>	<b>12</b>	<b>39</b>	<b>560</b>	<b>3</b>	<b>30</b>	<b>647</b>

Parent Company	31 Dec. 2014		31 Dec. 2013	
	Equipment	Total	Equipment	Total
Opening cost	2	2	2	2
Purchases	-	-	-	-
<b>Closing accumulated cost</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
Opening depreciation	-1	-1	-1	-1
Depreciation for the year	-	-	-	-
<b>Closing accumulated depreciation</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>
<b>CLOSING RESIDUAL VALUE ACCORDING TO PLAN</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>

## NOTE 13. INTEREST-BEARING LIABILITIES

Current interest-bearing liabilities	Group		Parent Company	
	2014 31 Dec.	2013 31 Dec.	2014 31 Dec.	2013 31 Dec.
Bank overdraft facilities	–	60	–	46
Liabilities relating to finance leases	–	–	–	–
<b>Closing balance</b>	<b>0</b>	<b>60</b>	<b>0</b>	<b>46</b>

The Group had a total of SEK 145 (150) million in credit facilities available for use. The unutilised overdraft facilities as of 31 December 2014 amounted to SEK 145 (90) million. Long-term interest-bearing liabilities as of 31 December 2014 totalled SEK 30 million (0). See also Note 21.

Assets pledged for the credit facilities are shown below:

	Group		Parent Company	
	2014 31 Dec.	2013 31 Dec.	2014 31 Dec.	2013 31 Dec.
Floating charges				
Shares in subsidiaries	326	245	231	231
<b>Closing balance</b>	<b>326</b>	<b>245</b>	<b>231</b>	<b>231</b>

Bank overdraft facilities are available denominated in the currencies SEK, USD and EUR.

Interest rate on reporting date as follows:

Per cent	2014-12-31			2013-12-31		
	SEK	USD	EUR	SEK	USD	EUR
Bank overdraft facilities	1.66	1.84	1.55	2.39	1.60	2.10

The fair value of short-term borrowing corresponds to its carrying amount, as the effect of discounting is insignificant. Fair value is determined on discounted cash flow at an interest rate based on the loan rate. Carrying amounts, by currency, for the Group's borrowing are as follows:

	2014 31 Dec.	2013 31 Dec.
SEK	–	49
EUR	–	11
USD	5*	–
	<b>5</b>	<b>60</b>

\* Negative balance of USD account relating to hedging of the company's accounts receivable denominated in USD. Included as a balance in the bank balance.

## NOTE 14. OPERATING LEASES

The nominal value of future minimum lease payments relating to non-cancellable leases is broken down as follows:

	Group		Parent Company	
	2014 31 Dec.	2013 31 Dec.	2014 31 Dec.	2013 31 Dec.
Due within one year	1	1	–	–
Due later than one year but within five years	2	4	–	–
<b>Total</b>	<b>4</b>	<b>5</b>	<b>–</b>	<b>–</b>

## NOTE 15. FINANCIAL ASSETS

	Group		Parent Company	
	2014, 31 Dec.	2013, 31 Dec.	2014, 31 Dec.	2013, 31 Dec.
Participating interests in Group companies	–	–	231	231
Other long-term receivables	2	1	–	–
<b>Closing book value</b>	<b>2</b>	<b>1</b>	<b>231</b>	<b>231</b>

The items above are specified below:

Parent company holdings	Corp. ID no.	Reg. office	No. of participating interests	Votes/share of equity %	Book value	
					2014-12-31	2013-12-31
Rottneros Bruk AB	556014-4502	Sunne	2,100,000	100	89	89
Utansjö Bruk AB	556012-7994	Härnösand	500,000	100	34	34
Vallviks Bruk AB	556445-8163	Söderhamn	415,000	100	101	101
Rottneros Packaging AB	556307-5356	Stockholm	10,000	100	1	1
SIA Rottneros Baltic	319171	Latvia	100	100	6	6
<b>Total</b>					<b>231</b>	<b>231</b>

Change in the value of financial assets	Parent Company	
	2014, 31 Dec.	2013, 31 Dec.
Opening cost	821	821
Companies sold	–	–
<b>Closing accumulated cost</b>	<b>821</b>	<b>821</b>
Opening impairment losses	-590	-545
Impairment losses for the year	–	-45
<b>Closing accumulated impairment losses, net</b>	<b>-590</b>	<b>-590</b>
<b>CLOSING BOOK VALUE</b>	<b>231</b>	<b>231</b>

## NOTE 16. INVENTORIES

	Group	
	2014 31 Dec.	2013 31 Dec.
Raw materials and consumables	116	104
Pulp, valued at production cost	134	35
Pulp, valued at net realisable value	4	107
<b>CLOSING BALANCE</b>	<b>254</b>	<b>246</b>

## NOTE 17. ACCOUNTS RECEIVABLE

Detailed schedule accounts receivable	Group		Parent Company	
	2014 31 Dec.	2013 31 Dec.	2014 31 Dec.	2013 31 Dec.
Accounts receivable, gross	176	125	–	–
Provision for doubtful accounts receivable	-4	-3	–	–
<b>ACCOUNTS RECEIVABLE, NET</b>	<b>172</b>	<b>122</b>	<b>–</b>	<b>–</b>

Changes in the provision for doubtful accounts receivable are as follows:	Group		Parent Company	
	2014 31 Dec.	2013 31 Dec.	2014 31 Dec.	2013 31 Dec.
Opening balance	-3	–	–	–
Provision for doubtful receivables	-1	-3	–	–
Receivables written over the year as uncollectable	–	–	–	–
<b>Closing balance</b>	<b>-4</b>	<b>-3</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 SEK 26 (22) million were due as of 31 December 2014, 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	
	2014 31 Dec.	2013 31 Dec.	2014 31 Dec.	2013 31 Dec.
Accounts receivable that are not due	142	100	–	–
Less than 3 months from due date	25	18	–	–
3 to 9 months from due date	5	3	–	–
9 to 12 months from due date	–	1	–	–
More than 13 months from due date	–	–	–	–
<b>Total</b>	<b>172</b>	<b>122</b>	<b>–</b>	<b>–</b>

Carrying amounts, by currency, for accounts receivable are as follows:

	Group		Parent Company	
	2014 31 Dec.	2013 31 Dec.	2014 31 Dec.	2013 31 Dec.
SEK	20	25	–	–
USD	104	71	–	–
EUR	47	25	–	–
Other currencies	1	1	–	–
<b>Closing balance</b>	<b>172</b>	<b>122</b>	<b>–</b>	<b>–</b>

## NOTE 18. OTHER CURRENT RECEIVABLES

	Group		Parent Company	
	2014 31 Dec.	2013 31 Dec.	2014 31 Dec.	2013 31 Dec.
Receivables from wholly owned subsidiaries	–	–	629	687
Other receivables	23	31	–	10
Prepaid expenses and accrued income	27	15	1	1
<b>Closing balance</b>	<b>50</b>	<b>46</b>	<b>630</b>	<b>698</b>

Detailed schedule for prepaid expenses and accrued income

	Group		Parent Company	
	2014 31 Dec.	2013 31 Dec.	2014 31 Dec.	2013 31 Dec.
Pre-paid insurance premiums	4	4	–	–
Accrued income from hedging	–	–	–	4
Prepaid expenses	11	6	1	1
Other accrued income	12	5	–	–
<b>Closing balance</b>	<b>27</b>	<b>15</b>	<b>1</b>	<b>5</b>

## NOTE 19. CASH AND CASH EQUIVALENTS

	Group		Parent Company	
	2014 31 Dec.	2013 31 Dec.	2014 31 Dec.	2013 31 Dec.
Cash and bank balances	89	35	72	1
<b>Closing balance</b>	<b>89</b>	<b>35</b>	<b>72</b>	<b>1</b>

Blocked cash and cash equivalents at the Group amounted to SEK 4 (9) million.

## NOTE 20. SHAREHOLDERS' EQUITY

Share capital and other injected capital

Parent Company	Number of shares	Share capital	Other injected capital	Total
<b>As of 31 December 2014</b>	<b>152,571,925</b>	<b>153</b>	<b>730</b>	<b>883</b>
<b>As of 31 December 2013</b>	<b>152,571,925</b>	<b>153</b>	<b>730</b>	<b>883</b>

<sup>1</sup> Excluding the parent company's holding of treasury shares

Average average number of shares outstanding, 2013

152,571,925

Average average number of shares outstanding, 2014

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 nominal value of SEK 822,000.

### SHARE-RELATED INCENTIVE PROGRAMME

There were no share-related share programmes for the Group on 31 December 2014.

### DIVIDEND

The AGM resolved on 25 April 2014 not to issue a dividend. The Board will propose to the AGM that a dividend of SEK 0.20 be paid as an ordinary dividend and SEK 0.20 as an extra dividend for the financial year 2014.



## MANAGEMENT OF CAPITAL RISK

Rottneros' objective in respect of capital structure is to ensure that the Group is able to continue its operation so that it can continue to generate returns for its shareholders while creating benefits for other stakeholders, and to maintain an optimal capital structure as a means of keeping the cost of capital down.

The Group may 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 key ratio is defined as interest-bearing receivables/liabilities divided by shareholders' equity.

The debt/equity ratios on 31 December 2014 and 2013 are shown in Note 21.

	2014 31 Dec.	2013 31 Dec.
<b>Change in hedging reserve</b>		
Opening balance	-23	-13
Cash flow hedging:		
– changes in fair value cash flow hedges	-11	-16
– tax on cash flow hedges	2	3
– transfers to income statement	30	3
– tax on transfers to income statement	-6	–
<b>Closing balance</b>	<b>-8</b>	<b>-23</b>

## NOTE 21. NON-CURRENT LIABILITIES

	Group		Parent Company	
	2014 31 Dec.	2013 31 Dec.	2014 31 Dec.	2013 31 Dec.
Debt at beginning of year	–	–	–	–
Borrowings during the year	30	–	–	–
<b>Long-term liabilities at year-end</b>	<b>30</b>	<b>–</b>	<b>–</b>	<b>–</b>

The loan is denominated in SEK and interest is charged at 1.4 percentage points plus STIBOR 90 days.

## NOTE 22. APPROVED CREDIT FACILITIES

Approved credit facilities amount to SEK 90 (90) million for the parent company and SEK 175 (150) million for the Group.

	Group		Parent Company	
	2014 31 Dec.	2013 31 Dec.	2014 31 Dec.	2013 31 Dec.
Due within one year	–	60	–	46
Of which:				
Bank overdraft facilities	–	60	–	46
Due within five years	30	–	–	–
<b>TOTAL</b>	<b>30</b>	<b>60</b>	<b>–</b>	<b>46</b>

## NOTE 23. OTHER NON-INTEREST-BEARING LIABILITIES

	Group		Parent Company	
	2014 31 Dec.	2013 31 Dec.	2014 31 Dec.	2013 31 Dec.
Liabilities to wholly owned subsidiaries	–	–	33	–
Other liabilities	12	17	–	34
Accrued expenses and deferred income	129	112	20	9
<b>CLOSING BALANCE</b>	<b>141</b>	<b>129</b>	<b>53</b>	<b>43</b>

### Detailed schedule for accrued expenses and deferred income

	Group		Parent Company	
	2014 31 Dec.	2013 31 Dec.	2014 31 Dec.	2013 31 Dec.
Holiday pay liability	19	20	2	3
Social security contributions	10	10	1	1
Payroll liability	7	6	–	1
Raw material cost and input goods	45	35	–	–
Other non-invoiced goods and services	24	26	–	–
Other accrued expenses	17	8	16	2
Other deferred income	7	6	1	2
<b>CLOSING BALANCE</b>	<b>129</b>	<b>112</b>	<b>20</b>	<b>9</b>

## NOTE 24. CONTINGENT LIABILITIES

The parent company and the Group have contingent liabilities relating to guarantees amounting to SEK 3 (3) million.

## NOTE 25. EVENTS AFTER THE END OF THE FINANCIAL YEAR AND OTHER DISCLOSURES

No significant events occurred after the end of the financial year.

See the 'Risk' section on pages 29 to 33 for disclosures about risks faced by the company.

# 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

We have audited the annual accounts and consolidated accounts of Rottneros AB (publ) for the financial year 2014, except for the corporate governance statement on pages 34–38. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 27–62.

### Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director 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.

### Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

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 2014 and of its financial performance and its cash flows 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 2014 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 34–38. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Rottneros AB (publ) for the financial year 2014. We have also conducted a statutory examination of the corporate governance statement.

### 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. The Board of Directors and the Managing Director are responsible for administration under the Companies Act and that the corporate governance statement on pages 34–38 has been prepared in accordance with the Annual Accounts Act.

### Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence which we have obtained is sufficient and appropriate in order to provide a basis for our opinions.

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have obtained a sufficient basis for our opinion. This means that our statutory 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.

### Opinions

We recommend to the annual 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 Directors be discharged from liability for the financial year.

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and the consolidated accounts.

Stockholm, March 19, 2015  
Ernst & Young AB

**Erik Sandström**  
Authorized Public Accountant

# COMPOSITION OF THE BOARD



**1. RUNE INGVARSSON**

(1943) M.Sc. (Engineering)  
Member and Chair of Board since 2013.  
Member of Board of Supervisors for Arctic Paper S.A., board member of SATOMO Invest AB.  
Shareholding: 54,900  
Independent of the company and corporate management, but not independent of Arctic Paper S.A.

**5. BENGT-ÅKE ANDERSSON**

(1951) System Technician at Vallviks Bruk AB.  
Employee representative since 2009.  
Shareholding: None.

**2. ROGER ASSERSTAHL**

(1943) M.Sc. (Forestry)  
Member of Board since 2008  
Managing Director of Asserstål Partners AB, board member of Bergvik Skog AB.  
Shareholding: 6,000  
Independent of both the company and its management and of the company's largest shareholders

**6. MIKAEL LILJA**

(1966) Mechanic at Rottneros Bruk AB.  
Employee representative since 2008.  
Member of Branch 89 of the Swedish Paper Workers' Union, member of Executive Committee of the Swedish Paper Workers' Union.  
Shareholding: None.

**3. PER LUNDEEN**

(1955) M.Sc. (Engineering).  
Member of Board since 2013.  
Acting CEO since November 2014, and CEO since February 2015.  
Managing Director of Lundeen Development AB, Chair of Board for Nilsbyn Invest AB and Strand Packaging AB, board member of Fiskeby Board AB and Packbridge AB.  
Shareholding: 160,000  
Independent of both the company and its management and of the company's largest shareholders through 6 November, when he was appointed Acting CEO and thus was no longer independent of the company and its management

**7. GUN-MARIE NILSSON**

(1960) Accounting Administrator at Rottneros Bruk AB.  
Employee representative since 2013.  
Shareholding: 15,000

**4. PER SKOGLUND**

(1960) Chemical Engineering, Chalmers University of Technology (no degree).  
Member of Board since 2014.  
COO & Member of the Management Board, Arctic Paper S.A. Shareholding: None.  
Independent of the company and corporate management, but not independent of Arctic Paper S.A.

**8. TOMAS WASBERG**

(1962) Operator at Vallviks Bruk AB. Employee representative since 2009.  
Shareholding: None.

**AUDITORS**

Ernst & Young AB  
Auditor in charge: Erik Sandström (1975) Authorised Public Accountant

# SENIOR EXECUTIVES



**1. PER LUNDEEN**  
CEO and President.  
Managing Director of Vallviks  
Bruk AB.  
(1955) M.Sc. (Engineering).  
Shareholding: 160,000  
Acting CEO since November 2014.  
CEO since February 2015.

**4. RAGNAR LUNDBERG**  
Technical Director.  
(1947) M.Sc. (Engineering).  
JLR Pulping Systems AB.  
Shareholding: None.  
Employed since 2000.

**2. OLLE DAHLIN**  
Managing Director of Rottneros  
Bruk AB, Head Business Area  
High Yield Pulp.  
(1954) M.Sc. (Engineering)  
and MBA.  
Chair of Board for the Swedish  
Biathlon Association.  
Shareholding: 125,576  
Employed since 2004.

**5. KRISTER LINDGREN**  
Interim CFO.  
(1956) MBA.  
Shareholding: None.  
Employed since 2013.

**3. INGEMAR ELIASSON**  
Wood Procurement Director.  
(1956) M.Sc. (Forestry).  
Deputy board member of VMF  
Qbera Economic Association.  
Shareholding: 46,223  
Employed since 1987.



# THE ROTTNEROS SHARE 2014

The Rottneros share is listed on NASDAQ OMX Stockholm. Rottneros had a market value of approximately SEK 570 (305) million and its share price was 3.74 (1.99) as of 31 December 2014.

The Rottneros share has been listed on NASDAQ OMX, Stockholm since November 1987. Rottneros is included in the Small Cap segment and is classified as a company in the Materials sector. Rottneros had a market value of approximately SEK 570 (305) million and 6,620 (6,547) shareholders at the end of 2014. Foreign shareholdings in Rottneros amounted to 67.9 (71.4) per cent of the capital. Rottneros' share price was 3.74 (1.99) as at 31 December 2014, a positive development of 88 per cent.

The Stockholm Stock Exchange had a positive development of approximately 12 per cent in 2014. The Rottneros share peaked at SEK 4.50 on 29 September, while the lowest price of SEK 1.92 was listed on 27 January.

#### THE SHARE'S TURNOVER

A total of 38 (35) million shares were traded in 2014 at a value of SEK 120 (73) million. This represents a turnover velocity for share stock of 21 (24) per cent last year. Total turnover velocity among companies in the Small Cap segment on the stock exchange in Stockholm was 49 per cent, while the average for the Stockholm Stock Exchange as a whole was 66 per cent. An average of 42 (26) trades in Rottneros shares were executed every day.

#### SHARE CAPITAL AND HOLDINGS OF TREASURY SHARES

The share capital at the end of the year was SEK 153.4 (153.4) million divided between

153,393,890 (153,393,890) shares. All shares carry equal voting rights and equal rights to the company's capital and profit. Trends in the number of shares are illustrated in a table on the following page.

The company's holding of treasury shares remained the same as the previous year (821,965 shares), corresponding to 0.54 per cent of the number of shares outstanding.

#### DIVIDENDS

No dividend was issued for the financial year 2013. The Board of Directors proposes a dividend of SEK 0.20 as an ordinary dividend and SEK 0.20 as an extra dividend for the financial year 2014.

#### DIVIDEND AND DIVIDEND POLICY

Dividends shall be adapted to Rottneros' performance level, debt/equity ratio, general financial status, future development opportunities and investment needs. Our capacity to pay dividends should be viewed over the entire business cycle rather than for an individual year.

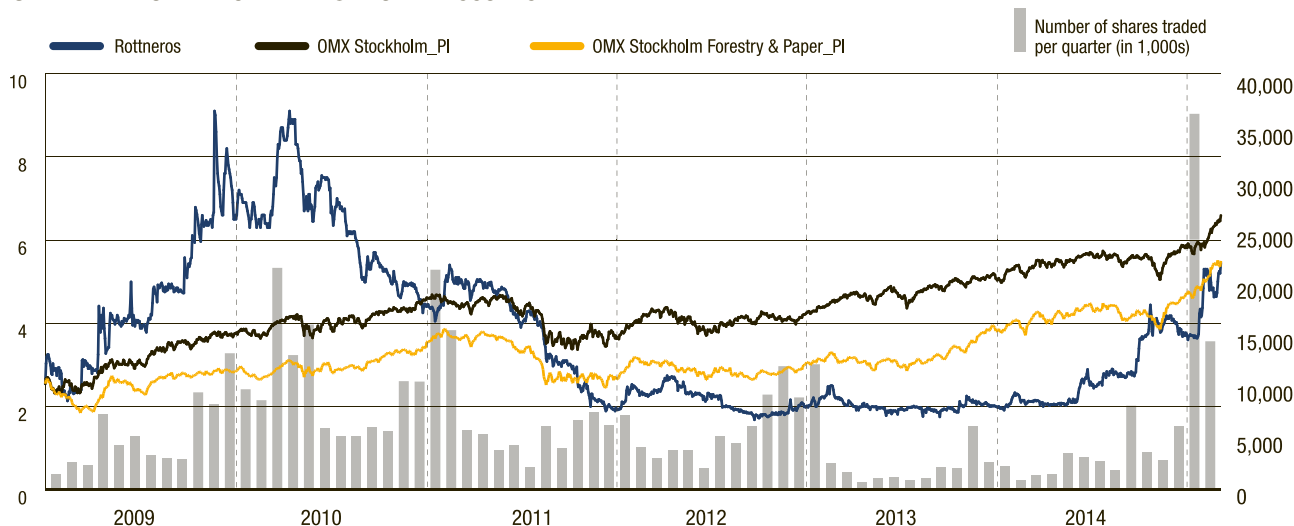
#### SHARES HELD BY SENIOR EXECUTIVES

Senior executives' own holdings and those of related parties amounted to 407,669 shares in total in Rottneros AB as of 31 December 2014. No subscription warrants were issued as of 31 December 2014.

#### 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). Presentation materials from presentations of quarterly reports for journalists and analysts are also available to download. 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 2003–2014



Source: SIX Financial Information

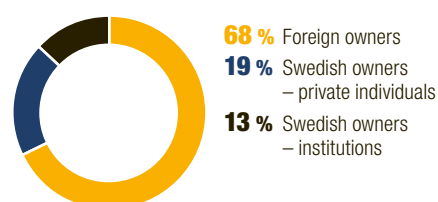
## OWNERSHIP STRUCTURE AS OF 30 DEC 2014

Shareholders	Number of shares (= votes)	Percentage of capital
Arctic Paper SA	78,230,883	51.0
JP Morgan Bank	14,387,264	9.4
Proad AB	7,105,235	4.6
Clearstream Banking S.A., W8IMY	4,120,691	2.7
Försäkringsbolaget Avanza Pension	2,686,154	1.8
Åkesson, Morgan	2,355,000	1.5
BBVA Ireland P.L.C	2,323,139	1.5
Försäkrings AB, Skandia	1,530,174	1.0
Larsson Bo	1,489,104	1.0
Jönsson Mikael	1,022,589	0.7
Total for ten largest owners - in terms of holding	115,220,233	75.2
Rottneros AB (treasury shares from buy-back)	821,965	0.5
Other shareholders	37,351,692	24.3
<b>Total</b>	<b>153,393,890</b>	<b>100.0</b>

## SHARES ISSUED AS OF 30 DEC 2014

Number of shares	Number of shareholders	Per cent of capital
1–500	3,471	0.3%
501–1,000	795	0.4%
1,001–5,000	1,334	2.3%
5,001–10,000	434	2.2%
10,001–15,000	164	1.4%
15,001–20,000	99	1.2%
20,001–	323	92.2%
<b>Total</b>	<b>6,620</b>	<b>100.00%</b>

## DISTRIBUTION OF OWNERSHIP BY CATEGORY



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

	Full-year	2014	2013	2012	2011	2010	2009
Shares, opening <sup>2</sup>	Number	152,572	152,572	152,572	152,572	1,525,719	180,212
Shares issued <sup>2</sup>	Number	–	–	–	–	0	1,345,507
Reverse share split <sup>2</sup>	Number	–	–	–	–	-1,373,147	–
Shares, closing <sup>2</sup>	Number	152,572	152,572	152,572	152,572	152,572	1,525,719
Average number of shares <sup>2,5</sup>	Number	152,572	152,572	152,572	152,572	152,572	26,884
Operating income per share <sup>5</sup>	SEK	0.77	-1.01	0.04	-0.77	0.90	-6.18
Earnings after tax per share <sup>5</sup>	SEK	0.87	-1.04	-0.09	-0.95	0.82	-2.59
Operating cash flow/share <sup>3,5</sup>	SEK	0.35	0.06	0.03	-0.74	0.51	2.74
Equity per share <sup>5</sup>	SEK	6.39	5.41	6.51	6.65	8.05	7.14
Dividend <sup>5</sup>	SEK	0.40	–	–	0.10	0.20	–
Dividend/equity per share	%	–	–	–	1.5	2.5	–
Share price at the end of the period <sup>5</sup>	SEK	3.74	1.99	2.00	2.11	4.37	6.90
Share price/equity per share	x	0.6	0.4	0.3	0.3	0.5	1.0
P/E ratio per share	x	4.3	Neg.	Neg.	Neg.	5.3	Neg.
Dividend yield <sup>4</sup>	%	–	–	–	4.7	4.6	–

<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 after normal investments, but excluding strategic investments.

<sup>4</sup> The calculation of dividend yield is based on the share price at year-end.

<sup>5</sup> There was a reverse share split in April 2010 where ten existing shares were combined as one share.

The comparison periods have been adjusted for this reverse split. The proposed dividend for the year is 40 öre.

# SIX-YEAR REVIEW

## SIX-YEAR REVIEW

GROUP PERFORMANCE IN SUMMARY	2014	2013	2012	2011	2010	2009
FACTORS AFFECTING TURNOVER						
Pulp price, NBSK list price (USD) <sup>1)</sup>	925	857	814	960	930	657
USD/SEK <sup>2)</sup>	6.86	6.51	6.78	6.50	7.21	7.65
Pulp price, NBSK list price (SEK)	6,345	5,582	5,519	6,229	6,705	4,989
Rottneros' deliveries (tonnes)	344,200	332,100	331,400	311,400	330,300	376,700
Sales and income (SEK m)						
Net turnover	1,547	1,389	1,437	1,513	1,684	1,508
Operating income before depreciation	177	-11	61	4	224	-61
Depreciation	-59	-142	-55	-120	-86	-104
Operating income after depreciation	118	-154	6	-117	138	-166
Net financial items	-4	-4	0	-3	0	97
Income after net financial items	114	-158	6	-120	138	-69
Income after tax	133	-158	-13	-144	125	-69

## BALANCE SHEET ITEMS (SEK M)

Fixed assets	691	706	809	841	867	849
Inventories	255	246	240	276	213	215
Current receivables	226	175	219	209	259	230
Cash and cash equivalents	89	35	26	21	155	111
Shareholders' equity	975	825	993	1,014	1,228	1,089
Long-term interest-bearing liabilities	30	0	0	6	10	57
Long-term non-interest-bearing liabilities	9	13	15	11	0	1
Current interest-bearing liabilities	0	60	78	42	29	44
Current non-interest-bearing liabilities	247	264	208	275	227	214
Total assets	1,261	1,161	1,294	1,347	1,494	1,405

## KEY RATIOS

Operating margin	7.6	-11.1	0.4	-7.8	8.2	-11.0
Profit margin	7.3	-11.4	0.4	-8.0	8.2	-4.6
Return on capital employed	12.4	Neg.	0.1	Neg.	11.6	Neg.
Return on equity after full tax	13.6	Neg.	Neg.	Neg.	10.8	Neg.
Equity/assets ratio	77	71	77	75	82	78
Debt/equity ratio	0.1	0.1	0.1	0.0	-0.1	0.1
Interest coverage ratio	20	Neg.	2.2	Neg.	26.2	Neg.

## OTHER

Investments	59	35	46	157	125	10
Average no. of employees	251	256	275	298	308	387

<sup>1)</sup> PIX price is the source for the NBSK list price and Market Pulse is the source for older values

<sup>2)</sup> Source: The Riksbank's yearly average

## QUARTERLY DATA FOR THE GROUP (SEK M)

	2014				2013				2012			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net turnover	370	404	394	380	317	349	369	354	329	359	378	371
Operating income before depreciation	28	67	45	35	-27	7	-1	10	16	-15	50	10
Depreciation	-15	-14	-14	-14	-15	-96	-15	-16	-15	-13	-14	-13
<b>Operating income</b>	<b>13</b>	<b>53</b>	<b>31</b>	<b>21</b>	<b>-42</b>	<b>-90</b>	<b>-16</b>	<b>-6</b>	<b>1</b>	<b>-28</b>	<b>36</b>	<b>-3</b>
Net financial items	0	-1	0	-1	-1	-1	-4	2	-1	2	-	-1
Income after financial items	13	52	31	20	-43	-91	-20	-4	-	-26	36	-4
Tax	42	-11	-7	-4	0	0	0	0	-10	0	-9	0
<b>Income after tax for the year</b>	<b>55</b>	<b>41</b>	<b>24</b>	<b>16</b>	<b>-43</b>	<b>-91</b>	<b>-20</b>	<b>-4</b>	<b>-10</b>	<b>-26</b>	<b>27</b>	<b>-4</b>
Pulp production (thousand tonnes)	83	89	88	85	79	78	88	88	86	73	90	82
Pulp deliveries (thousand tonnes)	78	89	90	87	76	83	88	86	79	85	82	85
Pulp price, NBSK list price (USD) <sup>1)</sup>	932	929	924	916	894	861	851	823	792	786	845	883

<sup>1)</sup> PIX price is the source for the NBSK list price

## DEFINITIONS OF KEY RATIOS

### EQUITY/ASSETS RATIO

Shareholders' equity as a percentage of the total assets.

### INTEREST-BEARING NET ASSETS/ LIABILITIES

Cash and cash equivalents minus interest-bearing liabilities.

### DEBT/EQUITY RATIO

Interest-bearing net receivables/liabilities divided by shareholders' equity.

### OPERATING MARGIN

Operating income after depreciation as a percentage of net turnover for the year.

### PROFIT MARGIN

Income after net financial items as a percentage of net turnover for the year.

### NET INCOME

Net income is the income after tax.

### EARNINGS PER SHARE

Net income divided by the average number of shares.

### RETURN ON CAPITAL EMPLOYED

Income after net financial items, plus interest expense divided by average capital employed.

### CAPITAL EMPLOYED

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

### RETURN ON EQUITY

Net income as a percentage of average shareholders' equity.

### INTEREST COVERAGE RATIO

Income after net financial items plus interest expense, divided by interest expense.

### P/E RATIO

Closing share price at year-end in relation to earnings per share after tax.

### DIVIDEND YIELD

Dividend as a percentage of the closing share price at year-end.

### OPERATING CASH FLOW/SHARE

Cash flow from operations and normal investments divided by the number of shares.



# GLOSSARY

**AOX**

Absorbable organic halogens.

**BEK**

Bleached Eucalyptus Kraft, bleached eucalyptus pulp.

**BOD**

Biological Oxygen Demand, biological method for measuring oxygen-demanding substances.

**BULK**

Volume, inverted value for density expressed as cm<sup>3</sup>/g

**COD**

Chemical Oxygen Demand. Chemical method for measuring oxygen-demanding substances.

**CTMP**

Chemi-Thermo-Mechanical Pulp. Development of TMP, where the raw material is impregnated with chemicals. Stronger than TMP.

**ECF**

Elemental Chlorine Free. Sulphate pulp bleached using chlorine dioxide only.

**EPIS**

European Pulp Industry Sector.

**SCM UB**

Timber measured under bark, used to measure raw timber.

**CHEMICAL PULP**

Paper pulp produced by boiling raw timber with chemicals. Has higher brightness and strength than High Yield pulp.

**HIGH YIELD PULP**

Pulp produced using a mechanical process for fibre separation and processing. Has a higher level of bulk, stiffness and opacity than chemical pulp.

**LATENCY**

The deformed condition of pulp fibre.

**LIGNIN**

Polymer compound consisting mainly of phenylpropane units; the main binding agent for wood fibre.

**LWC**

Light Weight Coated. A type of coated paper often used for catalogues and magazines.

**NBSK**

Northern Bleached Softwood Kraft: bleached long-fibre sulphate pulp. Price leader on the global market.

**NORSCAN**

Canada, the United States, Sweden and Finland.

**NUTRIENT SALTS**

These consist of various phosphorus and nitrogen compounds which have a fertilising effect in the recipient.

**OPACITY**

Degree of opaqueness.

**GROUNDWOOD PULP (SGP)**

High Yield pulp made from groundwood.

**SHIVES CONTENT**

Proportion of unseparated fibres found in the pulp.

**SULPHITE**

Like sulphate, but using a different cooking technique, different chemicals and with a different chemical recovery.

**SULPHATE**

Method for producing chemical pulp.

**TCF**

Totally chlorine-free bleached sulphate pulp.

**TMP**

Thermo-Mechanical Pulp: High Yield pulp produced using a technique in which the woodchips are preheated with steam.

**UKP**

Unbleached Kraft Pulp, unbleached sulphate pulp.

**ULWC**

Ultra Light Weight Coated. Similar to LWC but with a lower grammage.

**GRAMMAGE**

Weight of paper per surface unit, expressed as g/m<sup>2</sup>.

# ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) will be held on Wednesday, 20 May 2015 at 2:00 p.m. at the Stockholm World Trade Center, the Manhattan room, Kungsbron 1, in Stockholm.

## Registration and notification

Shareholders who wish to participate in the proceedings of the AGM must

- be registered as shareholders in the register of shareholders maintained by Euroclear Sweden AB on Wednesday, 13 May 2015, and
- notify the company of their intention to attend the AGM no later than Wednesday, 13 May 2015. The notification can be made via Rottneros' website, [www.rottneros.com](http://www.rottneros.com). Notification may also be made in writing to Rottneros AB, c/o Euroclear Sweden AB, P.O. Box 191, SE-101 23 Stockholm, Sweden, or by phone at +46 8 402 90 78. Please include in the notification your name and social security number or company name and corporate identity number, as well as address, phone number, and the number of assistants accompanying the shareholder to the AGM.

## Nominee-registered shares

In addition to notification, shareholders whose shares are registered in the name of a nominee through a bank or other nominee must request to have their shares temporarily re-registered in their own name in the register of shareholders per Wednesday, 13 May 2015, in order to be entitled to attend the AGM. Shareholders should inform its nominee of such request well in advance of this date.

## Power of attorney

Shareholders represented by proxy must issue a power of attorney for their proxy. If the power of attorney is issued by a legal entity, a copy of the registration certificate (or corresponding authorisation documents, if no such registration certificate exists) should be attached. To facilitate registration for the AGM, the power of attorney, in original, and any authorisation documents shall have been received by the company at Euroclear Sweden AB at the above address no later than on Friday, 15 May 2015. Proxy forms are available on the company's website, [www.rottneros.com](http://www.rottneros.com).

## ADDRESSES

### GROUP OFFICE

#### ROTTNEROS AB (PUBL)

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SE-820 21 Vallvik, Sweden  
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[info@rottneros.com](mailto:info@rottneros.com)  
[www.rottneros.com](http://www.rottneros.com)

### SUBSIDIARIES

#### VALLVIKS BRUK AB

SE-820 21 Vallvik, Sweden  
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Fax: +46 (0)270-692 10

#### ROTTNEROS BRUK AB

SE-689 94 Rottneros, Sweden  
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Fax: +46 (0)565-176 80

#### SIA ROTTNEROS BALTIC

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## ABOUT THE ANNUAL REPORT

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