

YOUR PULP COMPANY

ROTTNEROS ANNUAL REPORT

2015

**BEST
PERFORMANCE**
IN CURRENT
STRUCTURE

**FOCUS ON
SELECTED
NICHES
& EXPANSION**

**NEW
STRATEGIC
ACTION PLAN**
– AGENDA 500



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.

→ THE LEADER IN SERVICE

Customers should perceive Rottneros as a leader in service. In our chosen segments we will provide our customers with knowledge and know-how on how to utilise our products to improve their end products.

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Employees



Professionalism – Quality at every step

ALWAYS MOVING FORWARD



THE YEAR

IN SUMMARY

AGENDA 500

– new strategic plan

IN FEBRUARY 2015 the Board decided on a strategic action plan, Agenda 500, to strengthen and develop Rottneros.

RECORD-BREAKING VOLUME

BOTH ROTTNEROS MILL AND VALLVIK MILL set new records for both production and deliveries.

1,414 TONNES

per employee and year

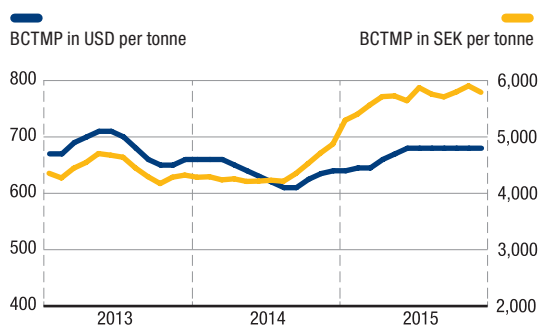
PULP PRODUCTION per employee increased by three per cent to 1,414 tonnes per employee and year. Total production amounted to 373,300 tonnes, an upswing of eight per cent.

SEK 263 MILLION

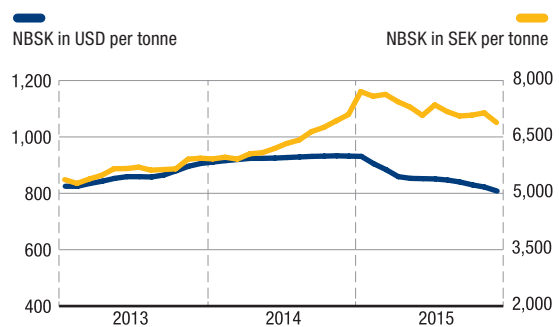
operating profit

AN IMPROVEMENT of SEK 145 million compared with the previous year's earnings.

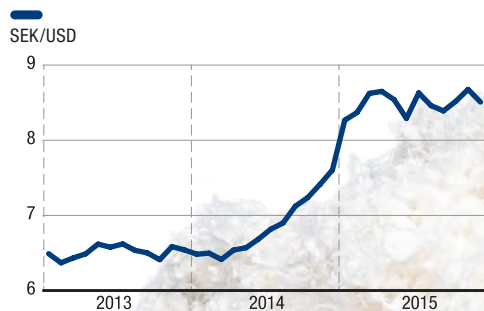
PULP PRICES BCTMP IN USD AND SEK



PULP PRICES NBSK IN USD AND SEK

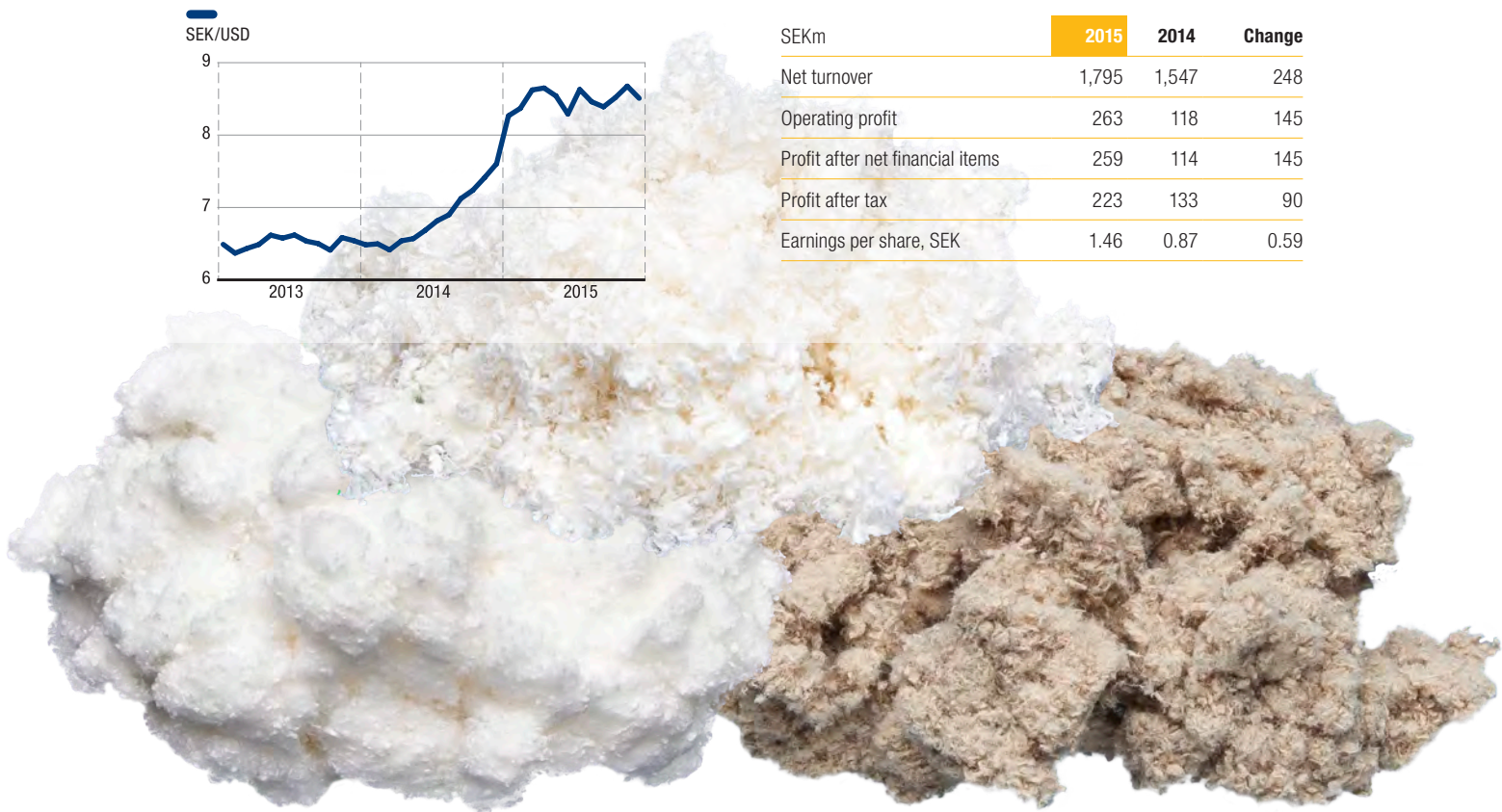


US DOLLAR RATES



PERFORMANCE

SEKm	2015	2014	Change
Net turnover	1,795	1,547	248
Operating profit	263	118	145
Profit after net financial items	259	114	145
Profit after tax	223	133	90
Earnings per share, SEK	1.46	0.87	0.59



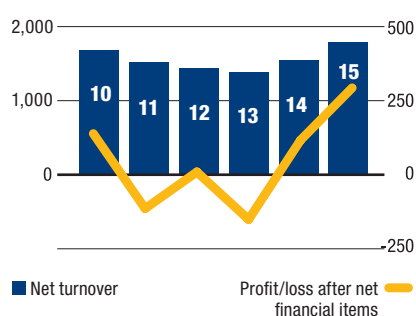
CUSTOMISED PULP FOR THE MARKET

1,795
SEK million turnover

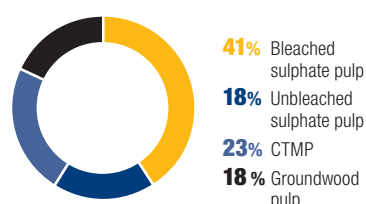
264
Employees

372,200
Tonnes pulp deliveries

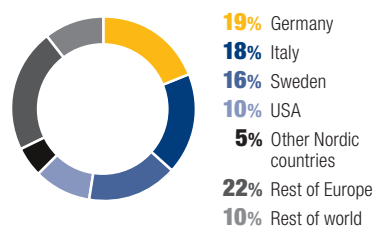
NET TURNOVER AND PROFIT/LOSS, SEK m



THE GROUP'S PRODUCTS, DELIVERY VOLUME DISTRIBUTION



GEOGRAPHICAL DISTRIBUTION OF TURNOVER



ROTTNEROS IN FIGURES

SEKm	2015	2014	2013	2012	2011	2010
Net turnover	1,795	1,547	1,389	1,437	1,513	1,684
Profit/loss after net financial items	259	114	-158	6	-120	138
Investments in fixed assets	103	59	37	51	157	125
Average number of employees	264	251	256	275	298	308
Production per employee (Ktonnes)	1.4	1.4	1.3	1.2	1.1	1.0

RATIOS, %

Equity/assets ratio	76	77	71	77	75	82
Return on capital employed	25.5	12.4	Neg.	0.1	Neg.	11.6
Return on equity	21.9	13.6	Neg.	Neg.	Neg.	10.8
Operating margin	14.7	7.6	-11.1	0.4	-7.8	8.2

SEK/SHARE

Share price 31 December	8.15	3.74	1.99	2.00	2.11	4.37
Equity per share	6.93	6.39	5.41	6.51	6.65	8.05
Earnings per share	1.46	0.87	-1.04	-0.09	-0.95	0.82
Cash flow after investments/share	1.52	0.29	0.16	-0.07	-0.80	0.50
Dividend ¹⁾	0.30	0.80	–	–	0.10	0.20

¹⁾ Proposed dividend for 2015.

MECHANICAL PULP

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



Pulp bale in baling line.

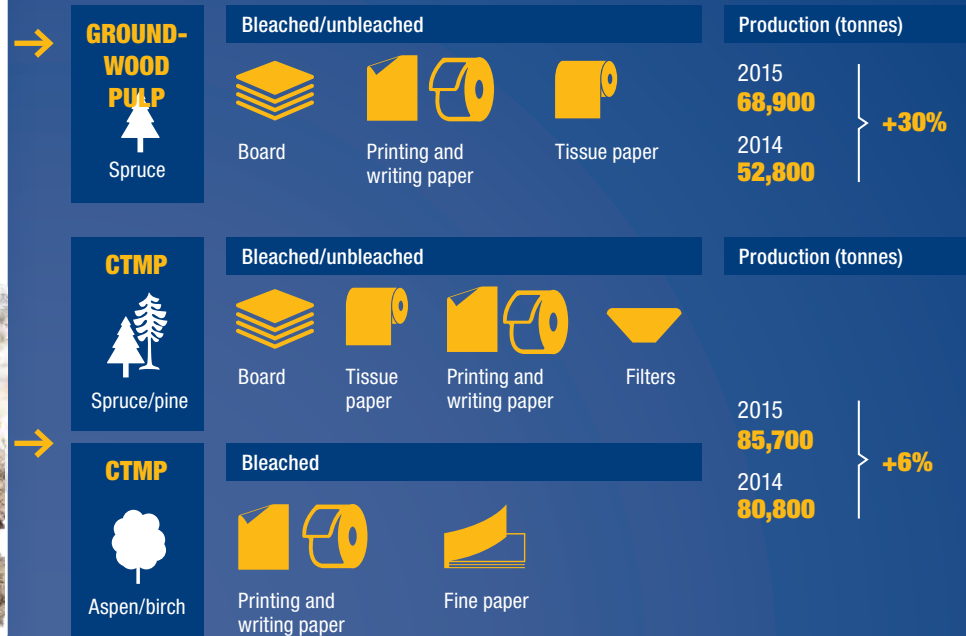
CHEMICAL PULP

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

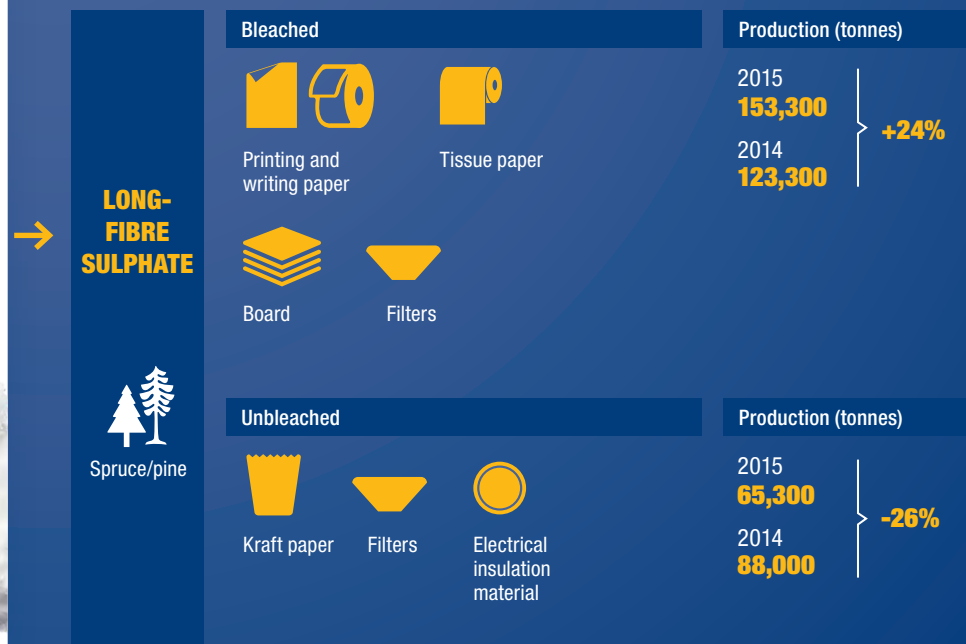
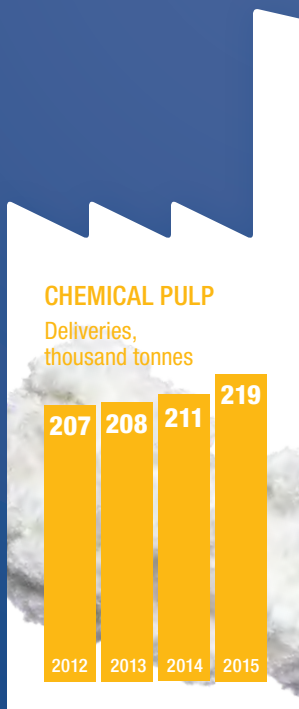


Analysis at the operational analysis laboratory.

MECHANICAL PULP



CHEMICAL PULP



A STRONGER ROTTNEROS EMERGES

2015 was a historic year for the Rottneros Group in terms of performance. Profit before tax was SEK 259 (114) million, an improvement of 127 per cent. This outstanding earnings trend is clear confirmation that our improvement measures have had a significant effect. During the year, both mills set new production records.

FINANCIALLY STRONG YEAR

As CEO of Rottneros, it is with great pleasure that I look back at 2015. The year has been extremely favourable for the Group, with significant improvements that clarify the Company's long-term development potential. Production was 373,300 tonnes this year, an increase of 8 per cent compared with 2014. With a return on capital employed of 25.5 per cent, we have met our target: return on capital employed shall exceed this figure for comparable pulp-producing companies.

Operating cash flow for the whole of 2015 was very strong and amounted to SEK 335 million, compared with SEK 104 million in 2014. The Group repaid a loan of SEK 30 million during the year and is now free of debt. In addition, we distributed SEK 122 million to shareholders and spent SEK 103 million on investments in improved mills, while increasing our cash and cash equivalents by SEK 80 million to SEK 169 million.

STRONGER, MORE MODERN ROTTNEROS

Implementation of our long-term development and action plan, Agenda 500, is in full swing. Capacity at Vallvik Mill will increase following investments to modernise and refurbish it during the year. Bottlenecks were eliminated in order to increase

production capacity. The long-term plan is to increase the Group's production from the level in 2014 of 344,000 tonnes to a target of at least 460,000 tonnes. Regarding Rottneros Mill, the Board decided in the fourth quarter to expand the CTMP line's flash dryer.

However, the Company's rejuvenation initiatives have not only included investments in property, plant and equipment. We also worked on improving the organisation to achieve a better corporate structure and stronger skills. We have filled 50 positions during the year, including about 20 new hires to strengthen skills within the organisation and to ensure the production increase in accordance with Agenda 500. With modernised mills and a stronger organisation, we are well-equipped for clear production increases over the next few years.

Our expansion moving forward involves continued growth in our niche areas. With its niche strategy and independent position, we are convinced that Rottneros has tremendous potential to compete in the market. The long-term trends in the various markets speak both for and against pulp mills. However, I think it is important to point out that the trends vary, depending on the pulp's area of use. On the one hand we have the digitisation of the



AGENDA 500

Our development work on the product side is making progress, in line with our expansion plans.

media, which is associated with a decline in demand for paper used to provide information. On the other hand, we see a growing demand for grades of pulp where the final product has a physical function. There is underlying growth for products used for packaging, electrical insulation purposes, filters or tissue products. These areas are all growing in line with GDP or faster, mainly driven by emerging markets such as China and India. We are therefore primarily concentrating our future expansion on end products such as packaging, paper for electrical insulation, filters and tissue products.

CONTINUED DEVELOPMENT

Our development work on the product side is making progress, in line with our expansion plans. During the year we launched two grades of pulp with clear competitive advantages: Bulk Booster and Opacity Extreme. We hope these niche products will enable us to continue to win market share and further expand our product portfolio. Absorption Express, which was launched in the autumn of 2014, has been a great success for the Group. Groundwood pulp, which is used to manufacture tissue, has successfully penetrated the market because of its high absorption capacity and competitive pricing. The market's



” We are focusing our future expansion on end products with growth potential.

PER LUNDEEN
President and CEO

warm reception of Absorption Express has contributed to an increase in Rottneros' pulp production for tissue manufacturers from 9 per cent in 2014 to 14 per cent in 2015.

We have also seen a surge on the board side during the year, spearheaded by Bulk Booster. I view this as a clear sign that our talented employees' development work is really producing results and that they know what customers want.

INTEGRATED SUSTAINABILITY EFFORTS

Our goal at Rottneros is for investments and streamlining measures to produce positive effects – regarding both financial performance and the environment. Our investments during the year have not only resulted in capacity and production increases, but also lower emissions. Integrating sustainability into our business model and understanding the link to financial return is essential to ensure the future relevance and development of the Rottneros Group.

During the year, we invested in a new bottom aeration system and biocarrier material for the biological treatment mill in Vallvik as we continue to focus on our environmental responsibility. In January 2016 we received the good news that Vallvik Mill was granted a new environmental permit

by the Land and Environment Court. The permit will allow the mill to produce the requested volume of 255,000 tonnes of sulphate pulp. We will therefore be able to implement the capacity increase in accordance with the Agenda 500 plan.

At Rottneros Mill the focus is on energy consumption in addition to capacity expansion. Production of mechanical pulp is particularly energy-intensive. The mill has benefited from lower electricity prices during the year and will continue to do so since we have secured futures contracts at lower prices. However, the mill continues to take measures to reduce energy consumption per tonne of pulp and consumption has fallen by over 15 per cent over just the past five years. We are committed to continuing this trend, which will benefit both earnings and the environment moving forward.

COMMITMENT TAKES US FORWARD

It is rewarding to see the progress that the Rottneros Group has made in recent years in terms of both performance and production. We also have a strong balance sheet that benefits from a strong cash flow. This successful journey is directly attributable to all of our dedicated and motivated employees. I would therefore like to extend my warmest thanks to all of our employees

for their efforts and their expertise, as well as their great dedication, which laid the foundation for our historic record-breaking performance in 2015.

As a result of this strong financial position, in November the Board of Directors also decided to propose an extra dividend of SEK 0.40 per share. The Extraordinary General Meeting approved the proposal in December and it is not only good news for our shareholders, but also further confirmation that our efforts have yielded results.

On the global pulp market, however, we have seen a price decline during the year. In early 2015 the published NBSK pulp price was USD 930/tonne and by the end of the year it dropped by 14 per cent to about USD 800/tonne. Consequently, 2016 is starting at a significantly lower level in terms of price than the previous year.

In summary, 2015 was a very strong year. As a result of the weakened price of pulp we are entering 2016 with less favourable conditions than the previous year. Given the improvement measures carried out and planned in the mills, I view the future with optimism.

Per Lundeen
President and CEO

FOCUS ON SELECTED NICHE AND OPTIMISED PRODUCTION

In order for the Rottneros Group to achieve sustainable profitability we must offer products and services of the highest quality that will provide our customers with clear added value. Production at the mills is another key parameter in generating profitability. As part of our Agenda 500 initiative, during the year we invested in our mills to remove bottlenecks and pave the way for capacity expansion over the next few years.

PROFITABLE GROWTH OVER A BUSINESS CYCLE

The Group will demonstrate sustained profitability over a business cycle. To do so Rottneros must generate 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

to those market segments where the Rottneros Group, with its high-quality and customised products, is able to offer customers clear added value.

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 industries where the porous qualities (air permeability) of our filter pulp are very important for the quality of the end product.
- Board and food packaging, where our pulp provides the board with the desired properties.
- Tissue products, using both our chemical and mechanical pulps.
- Thin printing paper, where our pulps can improve printability and reduce the light transmittance of the paper.

➔ **Increased productivity.** Productivity is essential for sustainable profitability. Rottneros' 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.** The Group plans to expand capacity over the next few years. We will accomplish this through measures such as eliminating bottlenecks at the mills.

LEADER IN SERVICE

Rottneros will be perceived by its customers as the leader in service.

We will offer service of the highest quality, characterised by competence and customer focus. Rottneros will provide knowledge and know-how on how customers can use the Group's products to improve their end products. 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 and provide top-quality technical support.

SAFETY

Rottneros is determined to prevent occupational accidents and injuries. The Company has a vision of zero injuries.

Safety permeates all activities at the mills. A safety representative participates on the project team in all investment projects to ensure that technical solutions meet safety requirements. Workplace safety inspections are conducted regularly to control that equipment and procedures meet safety requirements. Safety is included in all in-house training and skills development.

Safety is the first item on the agenda at internal meetings, such as the daily production meeting each morning.

FINANCIAL OBJECTIVES

Rottneros' overall long-term financial objective is to provide a competitive return for shareholders in the form of both value development and dividend yield.

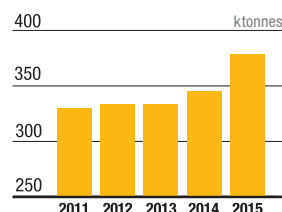
RETURN

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

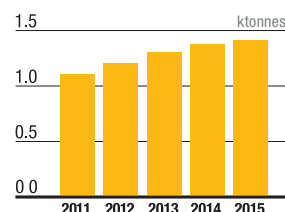
DIVIDEND POLICY

➔ 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.

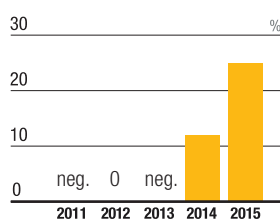
PRODUCTION



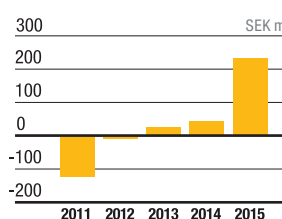
PRODUCTION PER EMPLOYEE



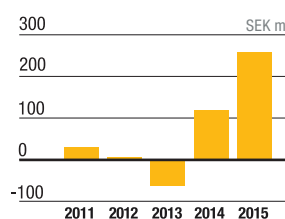
RETURN ON CAPITAL EMPLOYED



CASH FLOW AFTER INVESTMENTS



OPERATING PROFIT/LOSS BEFORE ONE-OFF ITEMS





VISION

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

BUSINESS CONCEPT

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.

Profitable growth will be generated by:

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

BUSINESS MODEL



AGENDA 500 – ROTTNEROS' ROAD FORWARD



By expanding the mills' capacity and offering products and services of the highest quality, Rottneros will achieve sustainable profitability. In February 2015, the Board decided on a new strategic action plan to strengthen and develop the Group.

Agenda 500 is a long-term industrial plan for the Rottneros Group with the overarching objective of achieving sustainable profitability and providing a good return for the Group's shareholders.

This objective will be achieved by:

- Focus on selected niches
- Increased productivity
- Increased production volume
- Leader in service – improved safety

The Rottneros Group plans to expand capacity to be able to achieve a production target of 460,000 – 500,000 tonnes per year. The project will be carried out in two steps. The first step is an investment of SEK 400 million starting in 2015. The second step involves another investment of SEK 400 million beginning a few years later. The pace of the investments will be determined by Rottneros' ability to allocate the increased volumes in the market.

The Board decided during the year to

invest a total of SEK 341 million, including SEK 103 million that was invested in 2015. The remaining investments will be carried out in 2016.

During the year, activities to increase the share of niche products within the Rottneros Group have also been successful. For example, two new products were launched: Bulk Booster for board and Opacity Extreme for thin packaging and printing paper.

VALLVIK MILL

Vallvik Mill applied for and received a permit to produce 255,000 tonnes per year. At the same time, the mill received a new operating permit with new environmental requirements.

Investments in the mill are aimed at eliminating bottlenecks in the production line, as well as increasing the plant's availability by eliminating the causes of temporary disruptions. At the same time the investments will contribute to meeting the new environmental requirements.

In 2014 an internal efficiency initiative began that helped to set a new production record. As a result of the streamlining initiatives that continued in 2015 the mill also set a new production record for the year – 219,000 tonnes, which was 7,000 tonnes higher than in 2014.

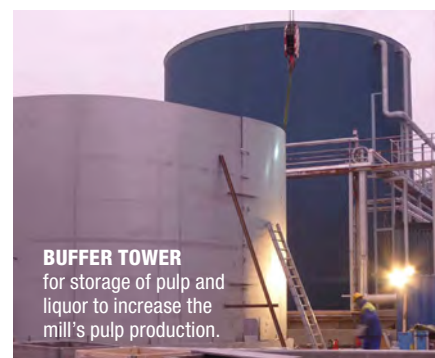
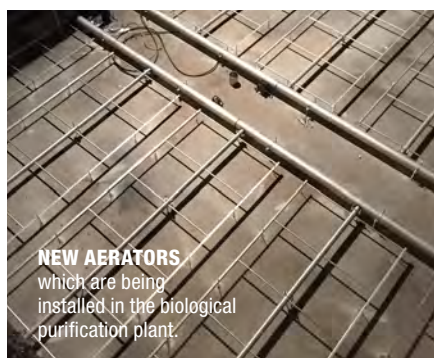
During the maintenance shutdown in November a new boiler feed was installed and a pulp washer was rebuilt. The buffer capacity of the mill was also increased with construction starting on a pulp and liquor tower. These investments form the basis for additional expansion of production over the next few years.

In 2016, investments will be made in a new white liquor filter to obtain enough cooking liquor for the increase in production. We will also install a new screening plant. In addition to improving the already high quality of the pulp, the screening plant will also increase pulp production.

ROTTNEROS MILL

Rottneros Mill has two production lines to produce high-yield pulps: one for CTMP and one for groundwood pulp. Both lines can produce bleached pulp.

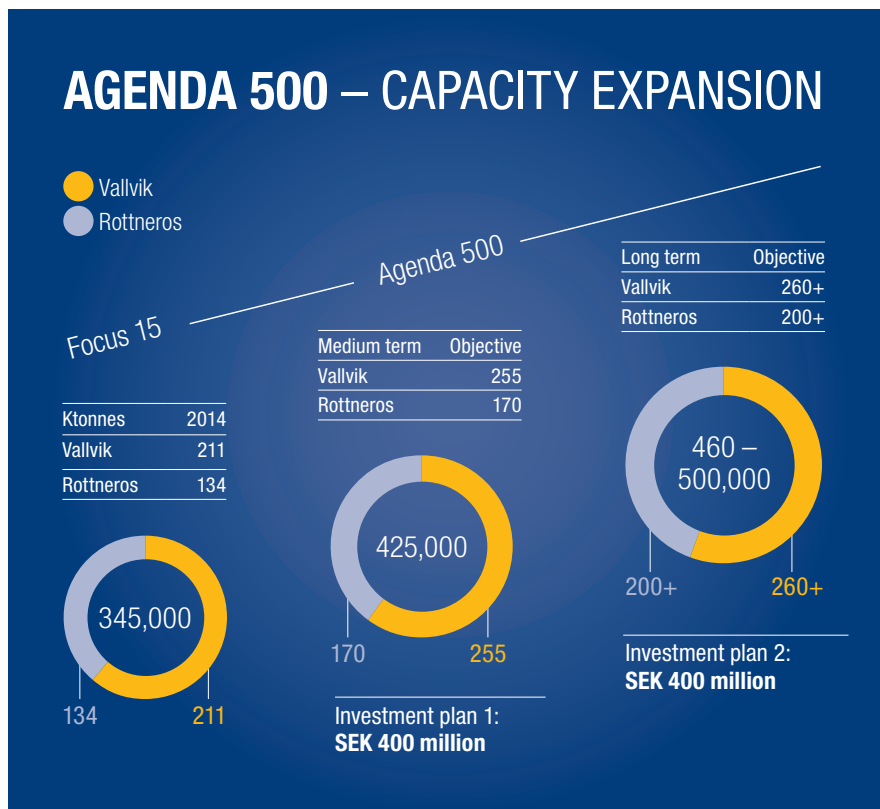
Rottneros Mill switched to a 6-shift schedule during the year to increase the available production time.



The mill produced almost 155,000 tonnes during the year, which is a new record and a substantial increase over the previous year. The CTMP line has a slightly higher production capacity than the groundwood pulp line.

Four investment stages are planned for Rottneros Mill within the framework of Agenda 500. In addition to increasing production capacity, the investments will also improve quality in order to serve more demanding customer segments. The investments are also intended to reduce the mill's production costs. The first, which improved the final dewatering process before the flash dryer, was already implemented. We also invested in an expanded wood yard, which is necessary for the increased production.

The mill investments that were decided in 2015 will be completed in 2016. These investments include an improved pulp washer and a high-concentration bleaching system, which will reduce bleaching costs. Drying capacity will also be increased because we will modify a flash dryer. In the groundwood line, three production bottlenecks will be eliminated.

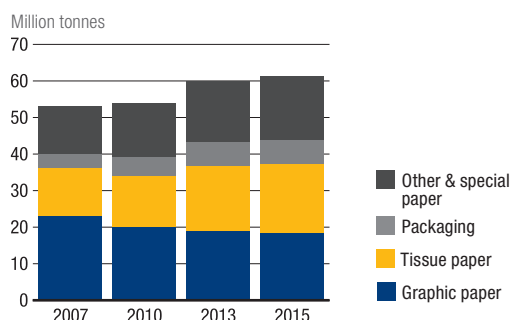


MARKET FACTS

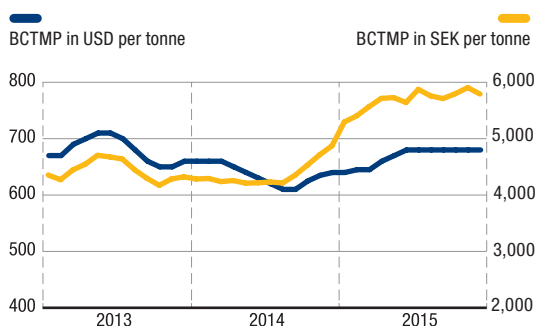
” There is a trend towards increasing production of pulp for board, tissue paper and special paper.

” Rottneros aims to be the market leading pulp producer in niche areas such as pulp for the manufacture of different types of filters.

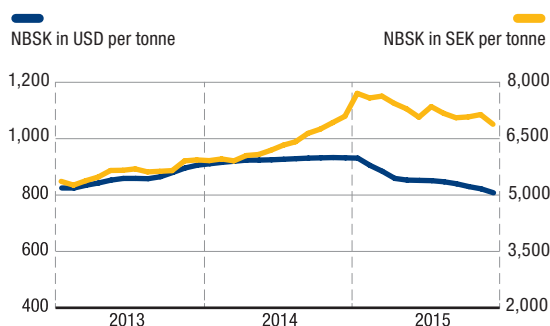
GLOBAL MARKET PULP CONSUMPTION PER APPLICATION



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 mechanical pulp. The Group operates in the open 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.

ROTTNEROS AND THE MARKET

About 170 million tonnes of pulp are produced worldwide every year. About two thirds of this volume are produced at integrated paper and board mills. The remainder, more than 60 million tonnes per year, comprises market pulp.

Market pulp is used to produce graphic paper, tissue paper and other personal care products, board, packaging and various types of special paper.

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 their 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.

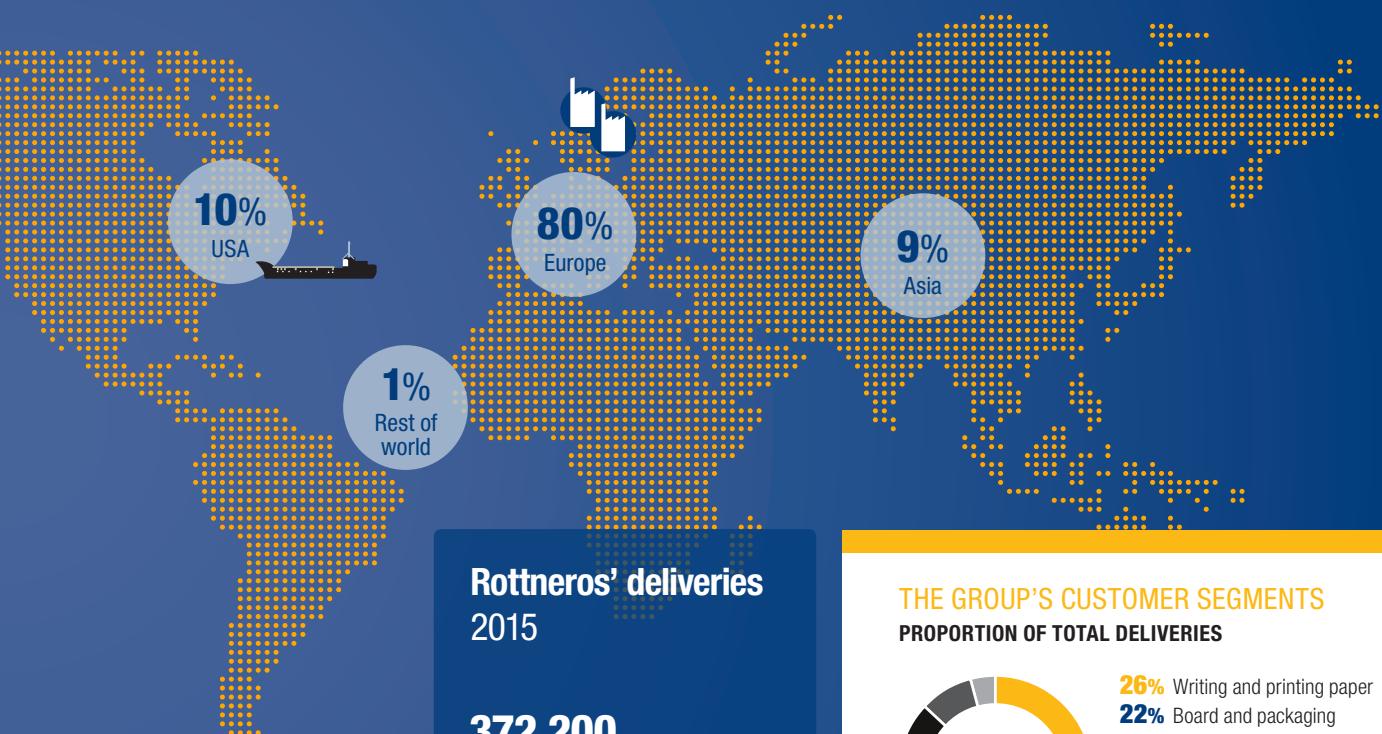
Combined market pulp production for the Rottneros Group amounted to 373,300 tonnes in 2015.

MARKET REVIEW

The global market

The slow recovery in the global economy continued in 2015, with the US and China as economic engines, though economic growth in Europe remained weak. About 61 million tonnes of market pulp were delivered during the year, an increase of about three per cent over 2014. As a result of the structural changes in

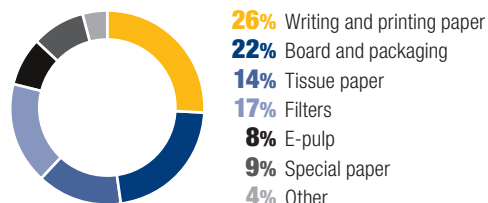
ROTTNEROS ON THE MARKET



Rottneros' deliveries 2015

372,200
TONNES

THE GROUP'S CUSTOMER SEGMENTS PROPORTION OF TOTAL DELIVERIES



which digital media are capturing market share from printed products, consumption of pulp for graphic papers continued to decline. However, the decline in graphic paper has been offset by increased demand from the personal care and packaging segments.

In terms of products, chemical pulp, especially bleached sulphate pulp made from softwood or hardwood, dominates the market pulp market. The use of hardwood sulphate pulp has rapidly increased, driven by a sharply increased supply of eucalyptus pulp from newly established mills in Latin America. Mechanical pulp accounts for a small portion of the market (less than ten per cent).

Europe

The Group is highly dependent on trends in the European market, which accounts for 80 per cent of sales. The main focus of our sales organisation is consequently on meeting the demands of this market.

At 19 million tonnes, Europe accounts for almost one third of global market pulp consumption. In 2015, deliveries to the region rose by about 6 per cent, mainly

thanks to increased demand from Eastern Europe.

Asia and the US

The non-European markets account for one fifth of sales for the Rottneros Group, comprising mechanical pulp for India and Indonesia, and chemical pulp for the north-eastern US and China.

About half of all market pulp worldwide, over 30 million tonnes, is consumed in Asia. Shipments to the region increased in 2015 by about four per cent, with strong volume increases in China, but unchanged deliveries to the rest of Asia.

The North American market accounts for nearly 8 million tonnes. Demand for this mature market, which is dominated by personal care products and special papers, remained at the same level as the previous year.

LONG-TERM IMPETUS AND TRENDS

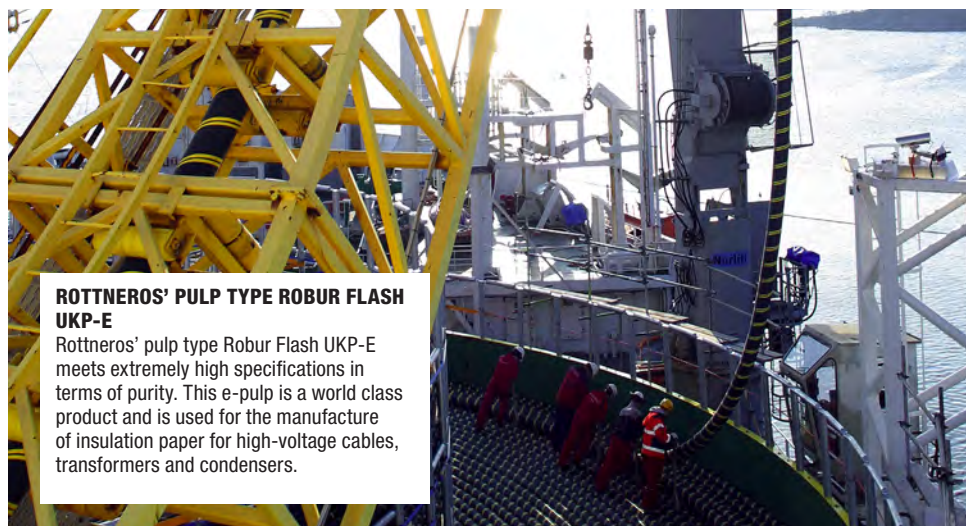
The markets for global pulp producers are currently shifting, both in terms of products and geographically. There is a trend towards increasing production of pulp for tissue paper, packaging and special paper.

At the same time there is a shift from west to east due to the rapid industrial growth and rising living standard in Asia.

Global demand for market pulp has increased by about 2.5 per cent per year over the past five years, though growth has been uneven across markets and regions. Demand in the mature industrial countries is stagnating or slightly declining. The emerging markets, excluding China, show a moderate increase. In China, however, consumption has increased dramatically and over the last five years the country has accounted for virtually all of the net increase in pulp consumption worldwide. In five years China has increased its world market share from 22 to 31 per cent and in terms of volume, the Chinese market is now as large as Europe, about 19 million tonnes.

Traditionally, graphic paper was the dominant area of use for market pulp. Less than ten years ago almost 45 per cent of the world's market pulp was used for production of this type of paper. The ongoing structural change in the media has forced the paper industry to restructure and adapt production to shrinking markets.

MARKET



ROTTNEROS' PULP TYPE ROBUR FLASH UKP-E

Rottneros' pulp type Robur Flash UKP-E meets extremely high specifications in terms of purity. This e-pulp is a world class product and is used for the manufacture of insulation paper for high-voltage cables, transformers and condensers.



PULP BALES

PRODUCT ON THE MARKET:

Insulation paper cables

Nevertheless, graphic paper is still a significant area of use for market pulp, but its share of world consumption is now estimated to have fallen to around 30 per cent. For pulp producers, this trend will lead to continued readjustments and a search for new customer segments and product niches in the coming years.

One application that has demonstrated strong growth, however, is tissue paper. The scope for private consumption, particularly of personal care products, is growing in pace with rising living standards in emerging markets. Demand for tissue paper is high and stable in the mature markets and robustly growing, though from a low level, in the emerging markets. Tissue paper is mainly produced in non-integrated paper mills and expansion in tissue paper has largely been based on market pulp. In 2007, tissue paper accounted for 24 per cent of market pulp consumption and in 2015 the proportion is estimated to have increased to more than 30 per cent.

DEVELOPMENT OF DEMAND

Demand for graphic paper will continue to decrease in the years to come, while 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 growth in China will be of great importance for demand over the next few years. The current slowdown in the Chinese economy will probably also entail a slowdown in the growth rate of the country's continued pulp consumption.

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 2015 global production capacity for chemical pulp increased essentially in pace with the increased demand; capacity utilisation therefore remained at the same level



PRODUCT ON THE MARKET: Coffee filters



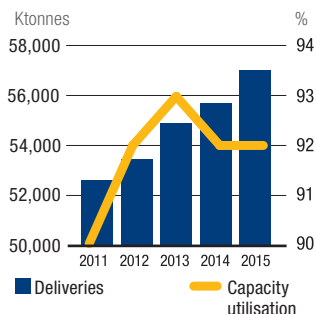
as in the previous year, 92 per cent. The market balance was slightly better for long fibre than for short fibre, but in both cases, capacity utilisation remained in the grey zone, where it is unclear whether the market benefits sellers or buyers.

The price of long-fibre NBSK was under pressure during most of 2015, falling from USD 930 at the beginning of the year to about USD 800 at year-end, a 14 per cent decrease. Translated into SEK, however, the drop in prices was limited to 4 per cent, thanks to the weakening of the SEK against the USD.

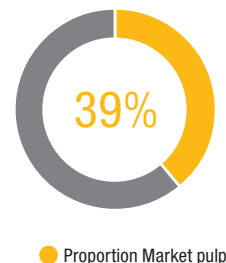
The price of short-fibre pulp, which stood at USD 740 at the beginning of 2015, rose during most of the year, but slowed in the fall and ended in December at around USD 790. The price gap between long and short fibre, which has historically hovered around USD 90 per tonne, has moved from one extreme to the other in 2015, from USD 190 at the beginning of the year to around USD 10 at year-end.

CHEMICAL PULP

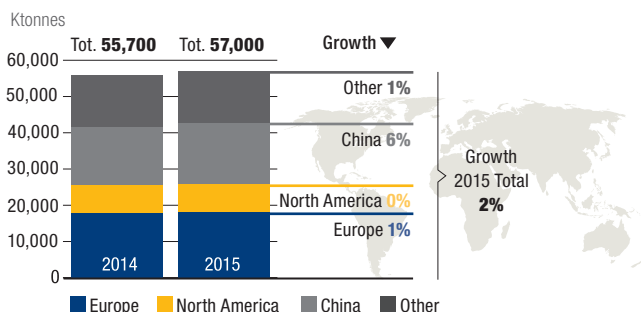
GLOBAL DEMAND AND CAPACITY UTILISATION 2011–2015, MARKET PULP



PULP CAPACITY WORLDWIDE

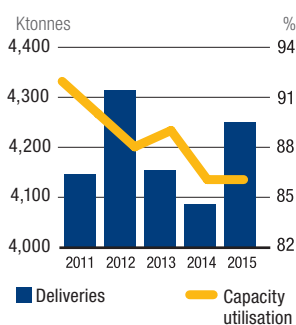


DELIVERIES OF CHEMICAL MARKET PULP, WORLDWIDE

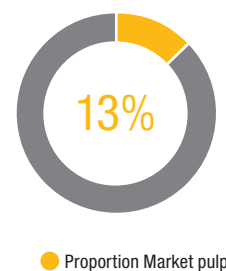


MECHANICAL PULP

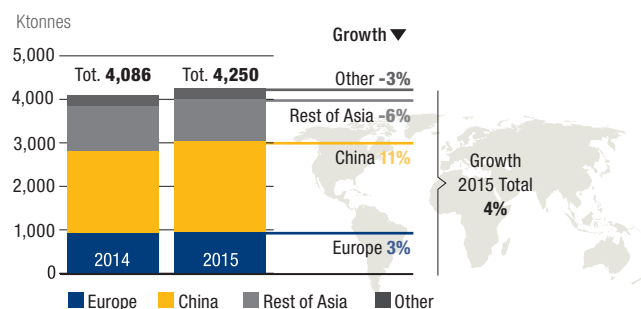
GLOBAL DEMAND AND CAPACITY UTILISATION 2011–2015, MARKET PULP



PULP CAPACITY WORLDWIDE



DELIVERIES OF MECHANICAL HIGH-YIELD PULP, WORLDWIDE





ROTTNEROS – NICHE MARKET LEADER

The Rottneros Group is among the leading producers worldwide in a few selected niches. The Company focuses on expanding in these niches, as well as in areas where the Group's pulp has a competitive advantage that represents a potential to become a market leader. The Rottneros Group's principal activity takes place at two pulp mills: Vallvik Mill and Rottneros Mill.

Production amounted to 373,300 tonnes in 2015 and deliveries to 372,200 tonnes. Both mills set new annual production records.

The Rottneros Group has a clear objective 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. The Group aims to take a strong market position within selected niches by leveraging its technical expertise, rather than competing on price.

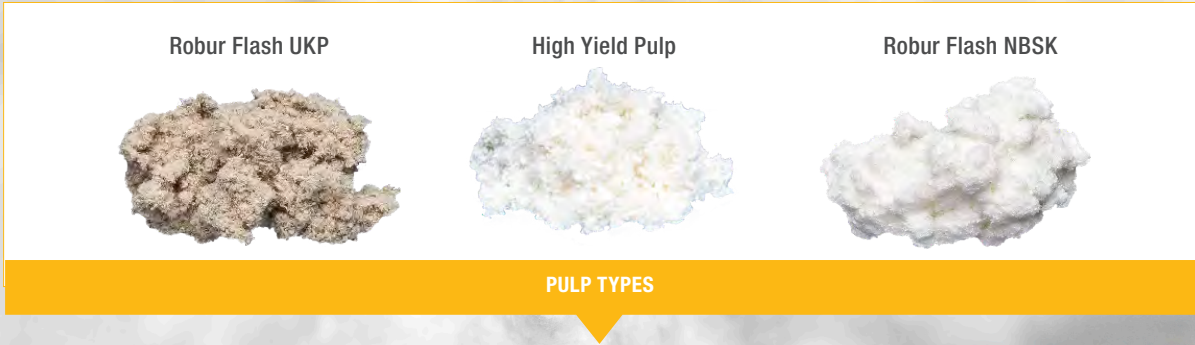
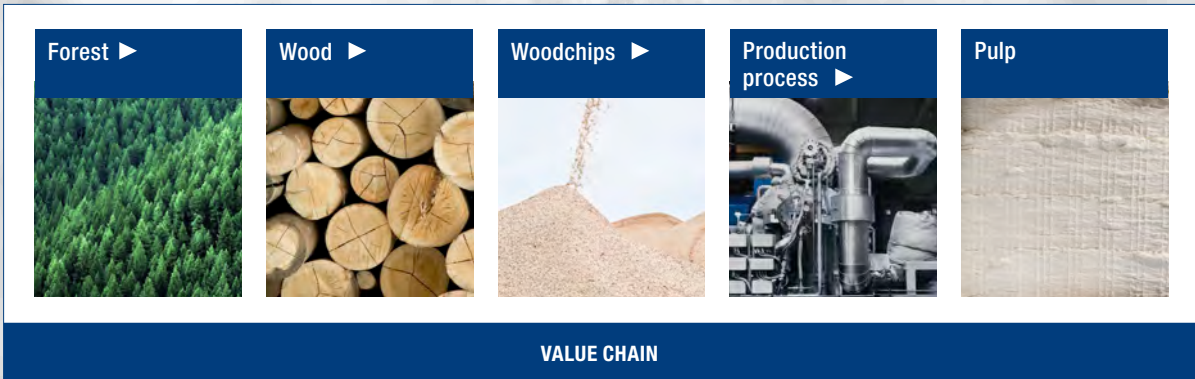
As a result of this niche strategy the Group today is among the leading producers worldwide for pulp used in filter production and e-pulp used for insulation in electrical applications. Currently only a limited number of manufacturers in the world are competing in the market for these types of pulps, which gives Rottneros an extremely strong position.

An additional example of a product where Rottneros can deliver value to its customers is mechanical pulp suitable for

board manufacturing. Demand continues to rise and is primarily driven by the Asian market. Pulp for board production accounted for over 40 per cent of Rottneros Mill's production in 2015.

The Rottneros Group launched two new products during the year: Bulk Booster for board and Opacity Extreme for thin packaging and printing paper. The launches further strengthen the Group's offering and it now has the broadest product portfolio for mechanical pulp on the world market. This development initiative marks another step within the framework of the Group's strategy to position the two mills towards a high percentage of specialised paper pulps.

FROM FOREST TO END PRODUCT

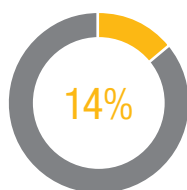


Tissue paper

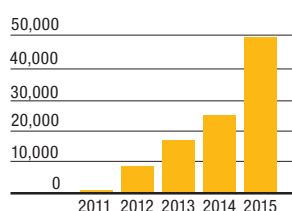
WORLD-CLASS ABSORPTION CAPACITY



PROPORTION OF ROTTNEROS' TOTAL DELIVERIES



ROTTNEROS' DELIVERIES OF PULP FOR TISSUE PAPER, TONNES



Growing demand for necessary product

Tissue paper is the type of paper used to make serviettes (table napkins), paper towels and toilet paper. The market for such products is not only large, but also relatively insensitive to economic fluctuations. We see a steadily growing demand, in part because of rising living standards in China.

Production in two locations

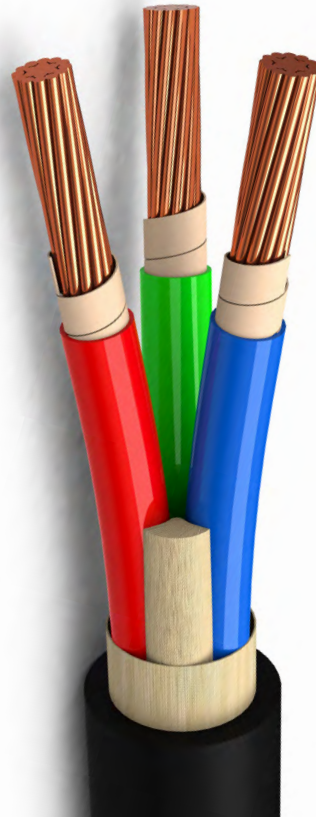
Both Rottneros Mill and Vallvik Mill manufacture grades of pulp that are used for production of tissue paper. Groundwood pulp, Chemi-Thermo-Mechanical-Pulp (CTMP) and long-fibre sulphate pulp can all be used to manufacture tissue paper.

Twice as efficient as the competitors

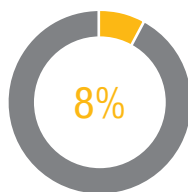
Absorption Express, the Group's most recently developed mechanical pulp for tissue paper, has been well-received among tissue paper manufacturers worldwide. This pulp is part of Rottneros' niche strategy. Absorption Express is unique because it absorbs fluids twice as effectively as much more expensive pulps. The higher bulk also provides a better feel to end product users. The successful launch of Absorption Express has helped Rottneros Mill to increase the proportion of tissue production of the mill's total production volume from 8 to 14 per cent during the year.

E-pulp

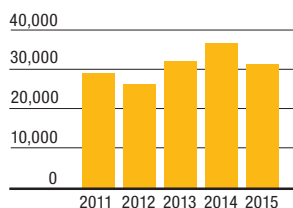
WORLD-LEADING PULP – KEEPS ELECTRONS IN PLACE



PROPORTION OF ROTTNEROS' TOTAL DELIVERIES



ROTTNEROS' DELIVERIES OF E-PULP, TONNES



World-leading niche product

Rottneros is a world leader in e-pulp used in electrical insulation material, transformer boards and condenser paper. The e-pulp, which is marketed under the name Robur Flash UKP-E, is produced at Vallvik Mill and used for purposes such as cable insulation for marine high-voltage cables. The pulp clearly holds a unique position in its niche.

Less volatile market

E-pulp currently accounts for a substantial portion of Vallvik Mill's deliveries. Production of e-pulp is based on customer orders and contracts are signed on an annual basis. Consequently this niche area has less exposure to bulk market fluctuations.

Unique insulating properties

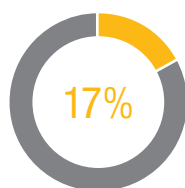
The secret recipe that gives the pulp its unique insulation properties has been continuously developed since the mid-1990s. Through years of development, Vallvik has successfully reduced the number of ions of elements that conduct electricity, for example by using sodium in the cooking process. By washing the pulp extremely well, Vallvik Mill has succeeded in achieving a purity that allows the pulp to be used for electrical insulation.

Filter pulp

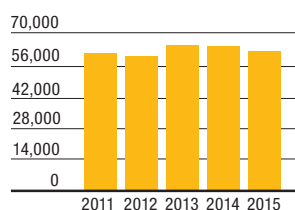
FROM COFFEEMAKERS TO TRUCKS



PROPORTION OF ROTTNEROS' TOTAL DELIVERIES



ROTTNEROS' DELIVERIES OF FILTER PULP, TONNES



Wide range of applications

One important niche area for Rottneros is pulp for manufacturing different filters. Grades of pulp for filter products are used by both the automotive industry and for consumer products, such as coffee filters.

World leader in automotive filters

Vallvik Mill is the world-leading supplier of filter products for the automotive industry, facilitated by both the high quality of the special pulp, as well as by access to cost-effective maritime transport from the deep harbour at Vallvik Mill to the United States. Vallvik produces flash-dried pulp to achieve the high porosity that is a key feature in filter production. The Group continuously develops and improves its products in response to increasingly stringent demands on filtering capacity.

Close and long-term customer relationships

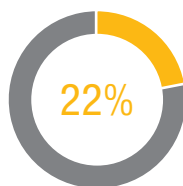
A number of purchasers of pulp for filters have long-term customer relationships with the Rottneros Group. The consistently high quality of the pulp combined with the assurance that Rottneros offers through its service, technical support, warehouse and logistics solutions have created conditions for long-term customer relationships. In addition, the Group has great credibility through its constant market presence, regardless of the current economic situation.

Board and packaging

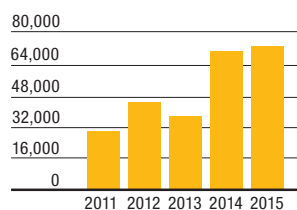
BETTER, MORE STABLE PACKAGING



PROPORTION OF ROTTNEROS' TOTAL DELIVERIES



ROTTNEROS DELIVERIES OF PULP FOR BOARD, TONNES



Protect your goods

Board refers to thicker paper grades used in the production of board for packaging food and other products, as well as in graphic contexts. Pulp used for board is produced at both Rottneros Mill and Vallvik Mill.

Niche with long-term growth

CTMP for board is considered to be a segment with long-term market growth and thus constitutes one of the areas in which Rottneros is investing. At Rottneros Mill CTMP for board accounts for an impressive 55 per cent of CTMP production and demand continues to grow, particularly on the Asian market.

Bulk Booster

In 2015 Rottneros launched its newly developed mechanical pulp for board, Bulk Booster. The product increases the rigidity of the board more than other available pulps, which makes it possible to produce a thicker board using the same amount of raw material. The increased thickness also significantly increases the flexural stiffness, which is a very important property for board when it is used to make packaging. Mixing Bulk Booster into recycled fibre-based board can increase flexural rigidity by 30 per cent. The product has been well-received in the market and helped to make it possible for volumes to be moved from Asia to Europe, where the pricing is better.

Thin paper

OPACITY EXTREME: MARKET LEADER

Still competitive

In mature industrial countries graphic paper has had to give way to digital media in recent years, a trend that has impacted several industries. However, the Rottneros Group's groundwood pulp continues to be 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.

Purity and opacity most important

Opacity is extremely important for thin packaging and printing papers, as well as a number of special applications, since low light transmission is required, for example, to prevent print from shining through the sheet of paper. Similarly, the purity of the pulp (low 'shives content') is important in the manufacture of thin paper. Consequently Rottneros, with its pure and high-quality pulps, has many clear competitive advantages.

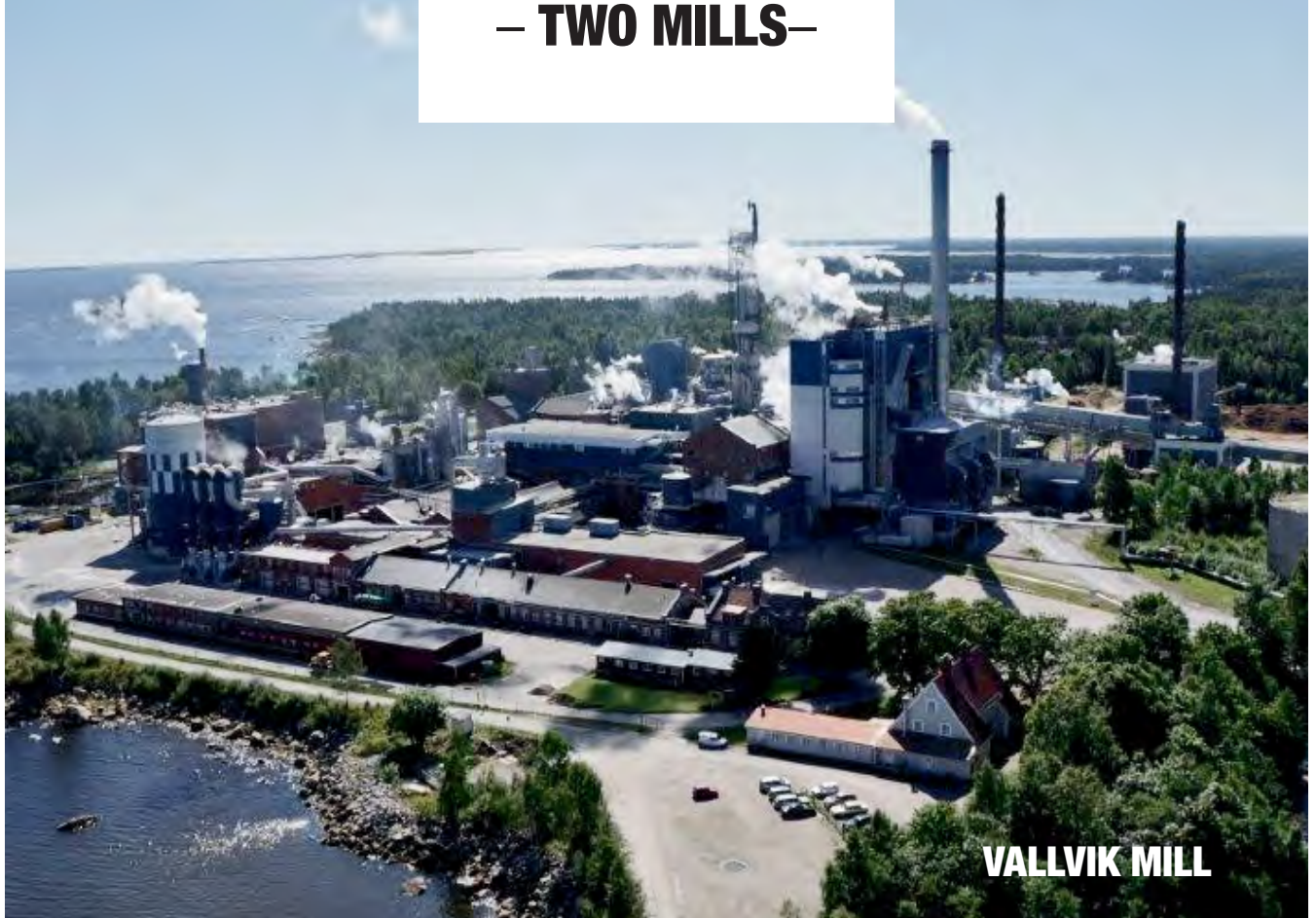
Opacity Extreme: market leader

The Rottneros Group also launched its new improved mechanical pulp during the year: Opacity Extreme for thin packaging and printing paper, as well as special applications. In addition to extremely high opacity, the product also has excellent strength properties and high purity. Opacity Extreme is therefore the market leader for thin paper.

ROTTNEROS MILL



ONE GROUP
— **TWO MILLS** —



VALLVIK MILL

ROTTNEROS MILL

Two categories of mechanical pulps 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.



PRODUCTS

Rottneros Mill produces two types of mechanical pulp: Chemi-Thermo-Mechanical Pulp (CTMP) and groundwood pulp. The pulps are produced in two separate lines and are available in 25 product variations with different properties. Because of the large number of product variations, Rottneros Mill has the most complete mechanical pulp product portfolio on the global market. Consequently sales can be tailored to meet customer needs.

PROCESSES

To produce CTMP, the wood is chipped and then pre-treated with chemicals at an elevated temperature before the mechanical processing begins, the chips are ground and the fibres are separated between rotating metal plates into finished pulp.

In contrast, groundwood pulp is produced by directly processing the wood, forcing it against special stone rollers or 'grinding stones.'

APPLICATIONS

Historically, Rottneros Mill's groundwood pulp grades were mainly customised for printing paper, but they are now increasingly being shifted over to manufacturing board and tissue paper, where the pulp offers clear benefits in terms of products and quality.

During the year two new grades of pulp were launched: Bulk Booster and Opacity Extreme.

Bulk Booster is a special grade for use in board manufacturing that increases the bulk or thickness to increase the rigidity of the board, or to make a lighter package.

Opacity Extreme is a grade mainly used for thin packaging and printing paper. With its combination of excellent strength properties, high purity and superior opacity, Opacity Extreme is extremely competitive in the market for thin paper.

The mill's CTMP is also suitable for several applications, including production of board, printing and writing paper, as well as tissue paper.

Since mechanical pulp for board is considered to be a segment with long-term market growth, the mill is continuing to focus on this area. Besides board, Rottneros Mill also has grades of pulp for manufacturing high-quality filter paper, tissue paper and for special applications.

Rottneros Mill's three new products, Absorption Express for tissue paper, Bulk Booster for board and Opacity Extreme for thin paper, have generally been well received on the market. As a result, production of groundwood pulp increased by 30 per cent in 2015 to almost 69,000 tonnes. The mill's broad product base will be expanded with additional niche products moving forward.

PRODUCTION

A common feature of both product categories is the high wood utilisation rate. CTMP uses 90 to 95 per cent of the pulp

wood provided, and groundwood pulp an impressive 98 to 99 per cent. 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, providing both environmental and cost-related benefits.

Annual production capacity is about 155,000 tonnes, making the mill one of the largest producers of mechanical market pulp in Europe. In 2015 the mill produced a record-breaking 154,600 tonnes, an increase of 16 per cent compared with 2014.

Because of their high raw material utilisation and low chemical consumption, the production processes are extremely environmentally friendly. However, production is extremely energy-intensive, which means that Rottneros Mill is exposed to fluctuations in the price of electricity. The decline in the price of electricity has therefore been beneficial. Since we hedge a large portion of our electricity purchases, our purchase prices will continue to drop moving forward as older futures contracts are renewed at lower electricity prices.

INVESTMENTS

In 2015, the purification plant was improved to reduce the amount of sludge from production. During the annual maintenance shutdown in September 2016, a number of quality and capacity-increasing investments will be made under Agenda 500.

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.

LONG-FIBRE
SULPHATE

Bleached



Printing and
writing paper



Tissue paper



Board



Filters

Production (tonnes)

2015
153,300
2014
123,300

+24%

Unbleached



Kraft paper



Filters



Electrical
insulation
material

Production (tonnes)

2015
65,300
2014
88,000

-26%

PRODUCTS

Long-fibre chemical sulphate pulp is produced at Vallvik Mill and accounts for approximately 60 per cent of the Group's production. The sulphate process used is not just the most common process for production of chemical pulp – the method also produces stronger pulp.

The pulp is produced by cooking wood chips in white liquor, a chemical solvent that dissolves the adhesive substance lignin which holds the wood fibres together. The freed fibres, the released wood matter, which is primarily lignin, and a black liquor that contains chemicals remain after cooking. The cooking chemicals can be reused in the production process, while the wood matter is used as fuel to produce the mill's own steam and electricity.

Most of the production at Vallvik Mill comprises Northern Bleached Softwood Kraft (NBSK) pulp. NBSK is the bleached long-fibre sulphate pulp that is usually referred to in official price indices such as the PIX price, which is reported weekly and set in USD/tonne for Europe, North America and China. Elemental Chlorine Free (ECF) 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 used by Rottneros.

Vallvik Mill manufactures a type of unbleached sulphate pulp that has been extremely well cleansed and is very pure. The high quality of this pulp (referred to as 'e-pulp') has made the mill the world-leading supplier of pulp that can be used to manufacture electrical insulation material, transformer boards and condenser paper. Moreover, Vallvik Mill's pulps are flash-dried, which provides the fibres with an open structure that makes them particularly appropriate for manufacturing filters and other absorbent products.

Vallvik's bleached and unbleached grades are sold under the name Robur Flash.

PRODUCTION

As part of the initiative to enhance talent and resources under Agenda 500, about 15 new hires joined the Group. The mill has 157 employees and a manufacturing capacity with the current product mix of approximately 220,000 tonnes per year.

Vallvik Mill produced 218,700 tonnes in 2015, an increase of 3.5 per cent compared with the 211,400 tonnes produced in 2014. In January 2016, Vallvik Mill was granted a new environmental permit by the Land and Environment Court to produce 255,000 tonnes of sulphate pulp.

Because Vallvik's production engages in such an advanced cycle of use and

reuse the environmental impact of the mill is very low. The washing liquid with chemicals from the digester is converted to white liquor in the recovery cycle and the remains of the pulp wood are used as fuel. An impressive 99 per cent of the fuel currently used in the mill is fossil-free and 97 per cent of all chemicals are recycled. When the liquor is incinerated in the recovery boiler, energy is produced in the form of steam, which Vallvik Mill uses in various parts of the production process, as well as by a steam turbine that produces electricity. Consequently the mill is essentially self-sufficient regarding electricity, and therefore less exposed to electricity price fluctuations than Rottneros Mill, where production is significantly more energy-intensive.

INVESTMENTS

During the year a number of investments were carried out at Vallvik Mill under the Agenda 500 programme. The largest investments during the year involved rebuilding the boiling feed, a new pulp warehouse and reconstruction of the atmospheric diffuser. The mill also started a project to expand the intermediate storage capacity for pulp and liquor. Vallvik Mill also invested in the biological treatment plant during the year and replaced both the bottom aeration system and the biocarrier material.



GOOD ACCESS TO WOOD IMPORTANT

Pulp wood and wood chips are the strategic raw materials that are important for the Rottneros Group's pulp production. These raw materials 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 availability of raw materials in the market was good during the year.

Rottneros 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 Group's strategy is to have a lean and efficient wood procurement organisation. Rottneros does not have its own forests or any large field organisation that buys timber or lumber directly from forest owners. The Company obtains its raw material in the timber market around each mill. Rottneros Mill has a relatively large number of suppliers, while Vallvik's suppliers are fewer in number, but larger. The state-owned Sveaskog and the forestry owners' association Mellanskog are the



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 14 per cent of the mill's pulp wood requirements.

SUPPLY OF RAW MATERIALS



WOOD

- ➔ Purchased as pulp wood or woodchips.
- ➔ Sveaskog and the forestry owners' association Mellanskog are the largest suppliers.



ELECTRICITY

- ➔ The Group's electricity consumption: **418 GWh**.
- ➔ Vallvik Mill produced 79 per cent of its electricity consumption, which was a total of 177 GWh in 2015.



CHEMICALS

- ➔ Weakly declining market prices for chemicals.
- ➔ Rottneros has contacts with a wide selection of suppliers.

largest suppliers. In addition a certain volume is also imported.

Import provides greater flexibility regarding the supply of raw materials. SIA Rottneros Baltic is a strategic arm of the raw material organisation. Woodchips imported from Latvian sawmills, which comprise most of Rottneros' imports, primarily go to Vallvik Mill, which has its own harbour. Rottneros Mill imports raw materials from neighbouring Norway, which can be considered to be normal cross-border trade. Closures in the Norwegian forest industry have resulted in an increase in deliveries from Norway.

Rottneros' two mills consumed a total of over 1.4 million cubic metres of pulp wood and chips in 2015, which corresponds to 36,000 truckloads.

The objective is to maintain a supply of raw materials by the industries sufficient for two to three weeks of production. Certain special raw materials or grades of pulp at Rottneros Mill require a somewhat larger supply.

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: Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC). 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 certified pulp is increasing, but up until now there has been an adequate supply of certified wood.

THE PULP WOOD MARKET

The average cost of Rottneros' wood supplies continued to fall in 2015. The total cost amounted to SEK 591 million (2014: SEK 561 million), corresponding to 38 per cent (2014: 40 per cent) of the Group's

expenses. The stock of pulp wood at the end of 2015 was normal.

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. Expansions that have been announced in the forest industry in Sweden and Finland will increase the demand for raw materials.

Since chips from sawmills represent a significant portion of the raw material, the economy and production of the sawmills are important.

The inflow of raw material from Norway to Sweden helps to strengthen the Swedish timber balance.

CHEMICALS

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

ROTTNEROS – A PART OF NATURE'S SUSTAINABLE CYCLE

Responsibility for the environment permeates all operations at Rottneros. The Group attaches great value to reducing its environmental impact and the ambition is to conduct business in a sustainable way. Integrating sustainability into our business model and understanding the link to financial return is essential to ensure the future and the development of the Rottneros Group.

The Group believes it is important to work responsibly in relation to the environment, the community and the world at large. The raw material used in the mills is wood, a renewable input. We strive to reduce the consumption of input goods. Our second largest input is electricity. In Vallvik we produce enough electricity to cover 79 per cent of the mill's needs. The process at Rottneros Mill uses a large amount of electricity, but the mill is unable to produce its own electricity so it strives to reduce electricity consumption in production through both improvements to the process and choice of products. These initiatives have enabled Rottneros Mill to reduce its electricity consumption by 15 per

cent since 2010, as shown in the diagram.

Our main thesis at Rottneros is for investments and streamlining measures to produce positive effects – regarding both financial performance and the environment. Our investments under Agenda 500 entail measures that reduce our emissions while increasing our production. In 2015, for example, Vallvik Mill reduced its emissions of oxygen-consuming substances (COD) by an impressive 22 per cent compared with 2014. At the same time, the mill set a new production record – 7,000 tonnes higher than the previous record from 2014.

By using locally supplied raw materials as much as possible, we can reduce both our impact on the environment and our transport costs. After systematically reviewing the Group's transports

we can now boast that the majority of our raw materials are obtained within a radius of 100 kilometres from the mills. By using this strategy we reduce the need for transports.

CHEMICAL PULP

Vallvik Mill produces chemical pulp, and we have been working for a long time with systematic measures in the production line to gradually reduce our environmental impact. About half of the wood becomes pulp, which is sold on the global market. The other half of the wood becomes energy, some of which is used in the form of steam in the production process, and some to produce electricity. In the process, the majority of the chemicals are re-used through an integrated recycling process.

The mill's production process is designed so that 99 per cent of the energy used is fossil-free. The remainder consists of fossil fuel required when the mill is re-commissioned following the annual maintenance and repair shutdown. The forest industry is currently society's largest consumer of biofuels and one of the largest producers of green electricity, i.e. electricity produced from biofuel.

Rottneros' environmental and energy policy

- All production units within the Group must comply with the requirements laid down in acts and ordinances.
- One goal for environmental initiatives within the Group is to reduce emissions to levels that are economically viable and ecologically justified. The same objective applies to energy consumption regarding choice of energy sources. By using renewable raw materials the Group's operations are part of the natural cycle.
- All employees must have a sufficient understanding of issues regarding energy and the environment, know the environmental and energy policy and actively contribute to compliance with that policy.
- Environmental stewardship and energy objectives are regularly monitored together with our financial reporting.
- We conduct an active dialogue with stakeholders on the environmental impact of and amount of energy required by our activities and products.
- One goal for product and process development is to limit the environmental impact of and reduce energy consumption during both production and the use of the Group's products.

MECHANICAL PULP

CTMP and groundwood pulp are produced in two separate lines at Rottneros Mill. Both processes are environmentally friendly due to their high raw material utilisation of 90-95 and 95-98 per cent respectively, and their low chemical consumption. At the same time, the processes are extremely energy-intensive, for which reason the mill continually takes measures to increase productivity and reduce energy consumption per tonne of pulp.

Over the past decade energy consumption per tonne has fallen by over 20 per cent. Under Agenda 500, Rottneros Mill plans to make a number of major investments over the next few years, including initiatives to streamline the energy supply and to expand the purification plant so it can handle the increased production.

The Group works proactively with a long-term approach to achieve its environmental objectives. We strive to implement measures that increase both production and quality, while meeting official environmental standards.

Facts: Environment

99%

of the fuel used in Vallvik Mill is biofuel

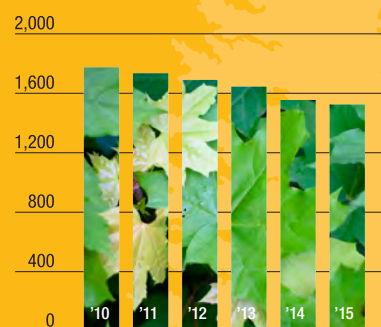
97%

of all chemicals used in the production process at Vallvik are recycled

79%

of Vallvik's electricity is produced in the mill

ELECTRICITY CONSUMPTION AT ROTTNEROS MILL, KWH/TONNE



BROAD COMMITMENT TO SUSTAINABLE DEVELOPMENT

Rottneros is committed to operating responsibly with respect to the external environment, the community, our customers and each other. Our ambition is to continuously reduce the environmental effects that may be caused by the Company's production and distribution systems. Confidence in Rottneros' conduct as a responsible supplier and employer strengthens our position in the market and promotes the involvement of employees.

SUSTAINABILITY REPORTING

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

At Rottneros it is important to have good communication with all parties affected by our activities. Customers, pulp wood suppliers, employees and shareholders all 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.

MARKET

Customers

The Rottneros Group's business concept is to provide its 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. Rottneros creates added value for customers by providing new knowledge and further developing its products.

Rottneros conducts a continuous dialogue with its customers through regular meetings to discuss product and quality-related issues. 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 also acts responsibly towards its suppliers and partners. The Company's

SUSTAINABILITY INFORMATION

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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.

Under the management process at Rottneros, 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 update each other 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, regulations and standards.

The Group's capital market activities are characterised by transparency and honesty. We comply with the laws, regulations and ethical guidelines that apply to the capital markets. Rottneros aims 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. In November 2015, Rottneros received the award for the best annual report in 2014 in the Small Cap category on Nasdaq Stockholm.

INTERNAL

Employees

Employee well-being is an important component of Rottneros' success. The Group acts responsibly towards its employees by promoting good health, environment and safety at our workplaces. We offer desirable employment terms as well as good opportunities for development. Rottneros protects the rights of its employees, fights against discrimination and harassment, and promotes diversity at the workplace.

Trade unions

All Rottneros Group 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

Rottneros' mills have strong ties to the local communities, which are usually

based on traditional industrial culture, where we are a major employer in the area. We act responsibly in relation to the community and collaborate with the municipal authorities, including by offering apprenticeships and study visits.

Environment

As a pulp producer, we are part of nature's cycle. 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; our objective is for all investments to lead to positive results for both the environment and the Company's finances.

PRIORITIES

The Rottneros Group 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	SEKm	Percentage of total cost
Customers	Sale of paper pulp and other income	1,859	
Suppliers	Raw materials & consumables	-899	55%
	Other purchases of goods and services including depreciation, amortisation and impairment	-478	29%
Employees	Pay, social security contributions and other employee benefit expenses	-219	14%
Lenders	Interest	-4	0%
State	Tax	-36	2%
Shareholders	Net income	223	

MARKET

- Customers
- 'The Industry'
- Suppliers

SHAREHOLDERS

- Stock market
- Capital market

MANAGEMENT & BOARD OF DIRECTORS

INTERNAL

- Employees
- Families
- Trade unions

SURROUNDING WORLD

- Mass media
- Society
- Politicians
- Environmental organisations



ROTTNEROS' RESPONSIBILITY – PERSONNEL

TALENTED, PROUD AND COMMITTED

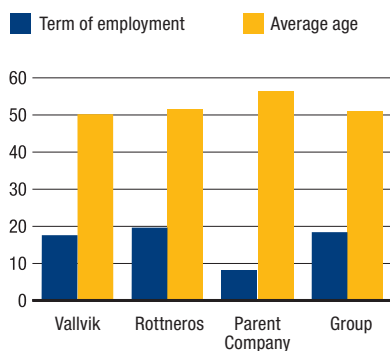
In 2015 Rottneros focused on the employee and the future. We are facing a generation shift and are working to maintain the skills of our experienced employees, as well as to ensure that we are an attractive employer.

We reorganised the Group this year, with two clear intentions. One is to clarify long-term resources, such as project managers and preventive maintenance. The other is to strengthen leadership

positions in order to focus more on developing processes, procedures and personnel. Both are important components of our efforts under Agenda 500. Another strategic change is the decision to expand the operating organisation to reduce the number of overtime hours and instead to increase the number of employees with extensive expertise.

We filled 35 replacement positions and grew by an additional 20 positions in 2015. The large number of qualified job-seekers confirms that Rottneros is an attractive employer. Total staff turnover within the Group amounted to 15 (12) per cent, largely due to staff retiring, and the average number of employees was 264 (251) in 2015.

TERM OF EMPLOYMENT AND AVERAGE AGE, 2015



PROUD AND COMMITTED

During the year we conducted a Group-wide employee survey that shows that our staff are proud of what we achieve and that employees want to work with us for a long time. The survey also showed that employees would recommend working for the Group to others and that as a group, they are very proud of their workplace. It is important that our employees enjoy working for and can grow within the Group and the results are extremely gratifying.

SAFE WORKPLACE

Rottneros has a 'vision zero' approach to occupational injuries leading to sick leave. We train our staff and have clear and precise instructions for conducting work, as well as how to move around within the area of the mills. Accident and incident statistics are reported to management and the Board on a monthly basis.

Two accidents occurred at Vallvik Mill in 2015 that resulted in a total of three sick days, as well as eleven '0 accidents' (accidents registered that did not require sick leave). The corresponding figures at Rottneros Mill were three accidents with 13 days of sick leave and 13 '0 accidents'.

NEW PROJECTS

A salary survey project was started to review how we are doing in terms of pay compared with similar industries and services. Pay and other remuneration for employees in 2015 amounted to SEK 158 (136) million, excluding social security contributions, corresponding to around 9 (9) per cent of the Group's total turnover for 2015.

We also started Rottneros Academy in 2015, which will become our internal training concept. The initial focus will be on processes and leadership.

**PROFESSIONALISM,
COMMITMENT AND
RESPECT**

One of our mills conducted a value system initiative during the year. All employees participated and helped to formulate the platform and common foundation that will be an important tool in our work moving forward. Professionalism, commitment and respect are the foundation when we take the next step forward.

Professionalism – Quality at every step

**ALWAYS MOVING
FORWARD**





PURIFICATION PLANT
with sediment trap.

ROTTNEROS' RESPONSIBILITY – ENVIRONMENT

ENVIRONMENTAL EVENTS AT THE MILLS IN 2015

ROTTNEROS MILL – CONTINUED STREAMLINING

During the year Rottneros Mill continued to optimise the production process and streamline resource consumption. The mill has significantly reduced electricity consumption in its production processes over the past few years both directly through measures in the manufacturing process and indirectly by replacing old equipment with significantly more efficient production units. For example, during the year the vacuum pumps were replaced by new more efficient models with much lower power consumption.

The mill is also working on improvements to the purification plant for process water that leaves the mill. When the mill's process water is treated in the biological

purification plant, sludge forms that cannot be used in the mill. Instead, it is delivered to an external company that uses the sludge to produce soil improvers and biofuels. In order for the mill to deliver the sludge the solids content must be increased, which means that the water must be removed from the sludge. The mill uses a screw press specially designed to handle sludge, which is a difficult material to dewater. During the year, the screw press has been optimised to further increase the solids content of the sludge. A higher solids content means less water to transport to the external recipient, which means less carbon emissions from the vehicles and lower transport costs.

In addition to renovating the screw press, the process was improved with a new mixing tank and an improved process control system. Since the sludge was previously stored outdoors, rain and snow reduced the dry solids content of the sludge. To avoid this, a warehouse was set up as protection over the sludge layer.

During the year the mill received provisional conditions for the bark boiler for emissions of nitrogen oxides (NO_x) and carbon monoxide (CO) through a partial ruling from the Land and Environment Court. Efforts are underway to draft proposals for final conditions.

VALLVIK MILL – ENVIRONMENTAL INITIATIVES HAVE SIGNIFICANTLY REDUCED EMISSIONS TO WATER

During the year Vallvik Mill prepared for hearings with the Land and Environment Court regarding a permit to increase production to 255,000 tonnes per year and a new permit for the entire operation. This initiative encompassed the entire production process to be able to meet the expected stricter requirements of the new permit.

The main focus of streamlining the work has been to reduce emissions to the recipient of the oxygen-consuming substances ('COD'). This effort has made good progress. Average COD emissions in 2015 were 22 per cent lower than in 2014. Emissions were, understandably, lower at the end of 2015 than at the beginning of the year.

During the 2015 maintenance shutdown in November, the biological purification plant was renovated to further reduce COD emissions. The initial results after the renovation appear to be promising. Since Vallvik produces both bleached and unbleached sulphate pulp, in addition to being able to efficiently handle shifts between the two grades, the renovated plant must also be able to handle the significantly different operating conditions for biological treatment of bleached and unbleached pulp.

During the year a number of investments were made to increase pulp production. New equipment was installed, which has also resulted in fewer production disruptions. Moreover, the newly installed

equipment not only increased the number of tonnes produced, it also reduced emissions from the mill. The environmental initiatives were integrated in production and the investment projects more effectively than previously.

The hearings with the Land and Environment Court took place in late September and early October, 2015. The ruling was announced in early January 2016, granting Vallvik Mill a permit to increase production to 255,000 tonnes per year. As is customary, the company received provisional conditions and will conduct certain studies to be able to propose final conditions in June 2017.

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

	Stakeholder group	Road	Rail	Sea	Proportion of total transport work (%)
2015	Pulp wood (%)	55	5	40	19
	Chemicals (%)	100	0	0	1
	Pulp (%)	20	19	61	80
	Proportion of total transport work (%)	29	16	55	100
2014	Pulp wood (%)	48	10	42	21
	Chemicals (%)	100	0	0	1
	Pulp (%)	17	16	67	78
	Proportion of total transport work (%)	24	15	61	100

ENERGY CONSUMPTION

	GWh	Rottneros	Vallvik	Total Group
2015	Biofuels, incl. black liquor	54	1,595	1,649
	Fossil fuels	56	19	75
	Total energy consumption excl. electricity	110	1,614	1,724
	– Proportion of biofuels (%)	49	99	96
	Electricity generated at mills	–	140	140
	– of which green electricity	–	139	139
	Electricity purchased	241	37	278
	Total electricity consumption	241	177	418
	– Proportion produced at mills (%)	–	79	33
2014	Biofuels, incl. black liquor	54	1,567	1,621
	Fossil fuels	46	22	68
	Total energy consumption excl. electricity	100	1,589	1,689
	– Proportion of biofuels (%)	54	99	96
	Electricity generated at mills	–	130	130
	– of which green electricity	–	128	128
	Electricity purchased	212	43	255
	Total electricity consumption	212	173	385
	– Proportion produced at mills (%)	–	75	34

CARBON DIOXIDE EMISSIONS (TONNES/YEAR)

		Rottneros	Vallvik	Total
2015	Fossil fuels	15,432	5,291	20,723
	Biofuels	33,001	613,278	646,279
	% biofuels	68%	99%	97%
2014	Fossil fuels	13,120	5,965	19,085
	Biofuels	31,561	601,852	633,413
	% biofuels	71%	99%	97%

EMISSIONS TO WATER AND AIR

	Rottneros	Vallvik		
2015	Production (tonnes)	154,704	218,682	
	S (tonnes/year)	12	78	
	Permit	–	135	
	NOx	32 tonnes/year	1.5 kg/tonne	328 tonnes/year
	Permit	–	1.5 kg/tonne	
	Suspended substances	220 tonnes/year	0.6 tonnes/day	
	Permit	325 tonnes/year	2.0 tonnes/day	
			ECF	UKP
	COD	3,095 tonnes/year	12 tonnes/day	5.2 tonnes/day
	Permit	4,000 tonnes/year	35 tonnes/day	18 tonnes/day
	BOD7 (tonnes/day)	1.7	2.3	1.4
	Permit	–	–	
	AOX (kg/tonne)	–	0.12	
	Permit	–	0.8	
	Phosphorus	0.7 tonnes/year	25 kg/day	
	Permit	1.5 tonnes/year	–	
	Chlorate (tonnes/day) ECF	–	0.27	
	Permit	–	1.5	
	2014	Production (tonnes)	133,544	211,186
S (tonnes/year)		8	99	
Permit		–	135	
NOx		27 tonnes/year	1.6 kg/tonne	
Permit		–	1.5 kg/tonne	
Suspended substances		172 tonnes/year	0.6 tonnes/day	
Permit		325 tonnes/year	2.0 tonnes/day	
			ECF	UKP
COD		2,510 tonnes/year	14 tonnes/day	6.4 tonnes/day
Permit		4,000 tonnes/year	35 tonnes/day	18 tonnes/day
AOX (kg/tonne)		–	0.1	
Permit		–	0.8	
Phosphorus		0.9 tonnes/year	33 kg/day	
Permit		1.5 tonnes/year	–	
Chlorate (tonnes/day) ECF		–	0.27	
Permit		–	1.5	

EMISSION ALLOWANCES FOR CARBON DIOXIDE

	Mill	Allocation	Emissions 2014	Emissions 2015
2015	Rottneros	18,980	13,120	15,432
	Vallvik	10,958	5,965	5,291
	Total	29,938	19,085	20,723

FINANCIAL REPORTS 2015

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 2015.

In 2015 Rottneros reported its best annual performance in the current structure. A strong dollar exchange rate and increased production had a positive impact on the result compared with the previous year. Both Vallvik Mill and Rottneros Mill set new records for annual production.

The Rottneros Group is an independent and flexible producer of high-quality chemical and mechanical pulp. The Group operates in the open 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

BEST ANNUAL PERFORMANCE IN CURRENT STRUCTURE

DEVIATION ANALYSIS

SEK MILLION	2015	2014
NBSK PIX	857	925
SEK/USD	8.44	6.86
NBSK SEK	7,285	6,345
Operating profit	263	118
Price & Mix	-61	
Currency	164	
Volume effect (net) on earnings	64	
Variable production cost per tonne	24	
Pulp, electricity and currency hedging realised	13	
Other	-59	
Total difference	145	

SUMMARY CONSOLIDATED INCOME STATEMENT

SEK MILLION	2015	2014
Net turnover	1,795	1,547
Operating profit	263	118
Profit after net financial items	259	114
Profit for the year	223	133

SALES AND RESULTS

Sales

Turnover for the Group for 2015 amounted to SEK 1,795 (1,547) million, an increase of 16 per cent. Deliveries during the year amounted to 372,200 (344,200) tonnes, an increase in volume of 8 per cent. Both Vallvik Mill and Rottneros Mill set new records for both production and deliveries. The average price of long-fibre sulphate pulp (NBSK) in USD decreased by 7 per cent compared with the previous year. However, the average NBSK price was 15 per cent higher denominated in SEK compared with 2014, due to a stronger USD in relation to the SEK.

Operating profit

Group operating profit for 2015 was SEK 263 (118) million. Earnings improved mainly because of the stronger USD in relation to the SEK, as well as higher production and delivery volumes. The Group reported its best annual performance in the current structure in 2015.

Expenses

Variable production cost per tonne dropped about 3 per cent compared with the previous year, mainly due to lower prices related to wood, chips, electricity and other energy costs. As part of the

SALES, PERFORMANCE, INVESTMENTS AND FINANCIAL POSITION

Group's industrial plan, maintenance costs for production facilities increased in 2015 following several years of low maintenance costs. An initiative relating to personnel also resulted in a higher level of employee benefit expenses compared with the previous year.

Electricity costs, which are included in production costs, declined by 10 per cent compared with the previous year. The average price of electricity on the Nord Pool electricity exchange amounted to SEK 0.20 (0.29) per kWh for full-year 2015, which is about 30 per cent lower than the previous year. However, the lower electricity price did not have a full impact since parts of electricity consumption were hedged at higher levels than spot prices during the year.

Other

The outcome of hedging activities realised in 2015 amounted to SEK -17 (-30) million. SEK 6 (1) million of the hedging result is linked to currency hedging and SEK -23 (-17) million to electricity hedging. The Group did not hedge against fluctuations in pulp prices in 2015. In 2014, the Group had a realised hedging result of SEK -14 million from pulp hedging activities.

Profit after net financial items

Group profit after net financial items amounted to SEK 259 (114) million and includes net financial items of SEK -4 (-4) million.

Profit after tax

Group profit after tax amounted to SEK 223 (133) million and earnings per share was SEK 1.46 (0.87).

The tax expense for the year was SEK 36 (income 20) million. This amount was affected during the year by utilisation of a previously capitalised tax asset of SEK 57 million and additional capitalisation of unused tax loss carryforwards of SEK 22 million made during the year, based on the results for the year and the Company's assessment of its financial performance over the next few years. At the turn of the year the deferred tax asset

relating to unused tax losses was SEK 31 (67) million, equivalent to SEK 141 (302) million in unused tax losses. Other than the above, there was no unused tax loss (SEK 98 million in 2014) for which deferred tax assets have not been reported.

INVESTMENTS AND FINANCIAL POSITION

Group investments in fixed assets amounted to SEK 103 (59) million in 2015. In both 2015 and 2014, these investments primarily related to equipment to increase capacity and efficiency.

Fixed assets amounted to SEK 706 (691) million on 31 December 2015, a 2 per cent increase compared with the previous year. Property, plant and equipment comprise over 90 per cent of the Group's fixed assets.

Current assets, excluding cash and cash equivalents, amounted to SEK 511 (481) million on 31 December 2015 and comprise 52 per cent inventories and 37 per cent accounts receivable. Current assets increased by 6 per cent compared with the end of the previous year.

Group cash and cash equivalents amounted to SEK 169 (89) million at year-end.

The Group had no interest-bearing liabilities on 31 December 2015 (SEK 30 million in 2014). Interest-bearing net receivables amounted to SEK 169 (59) million at year-end.

Total approved but unutilised credit facilities amounted to SEK 175 (145) million on 31 December 2015.

The equity/assets ratio amounted to 76 (77) per cent at year-end. Equity per share amounted to SEK 6.93 (SEK 6.39) at year-end.

CASH FLOW

Cash flow from operating activities before investments for 2015 amounted to SEK 335 (104) million. The decrease in working capital had a positive impact on cash flow of SEK 18 million during the year. In 2014, the increase in working capital had a negative impact on cash flow of SEK 71 million.

Cash flow from investing activities amounted to SEK -103 (-20) million.

Cash flow from financing activities amounted to SEK -152 (-30) million. In the second quarter, shareholders were paid a dividend totalling SEK 61 million and in the fourth quarter an extraordinary dividend of SEK 61 million, for a total of SEK 122 (-) million in 2015. Repayment of loans in 2015 amounted to SEK 30 million (net repayment of SEK 30 million in 2014).

Net cash flow for the year was SEK 80 (54) million.

PARENT COMPANY

The parent company's turnover for 2015 amounted to SEK 6 (6) million. The parent company's sales primarily comprised intra-group revenue from administrative and operational management services. The parent company's profit after net financial items amounted to SEK 226 (36) million for 2015. The result includes hedging activities realised of SEK 1 (-31) million, group contributions paid/received and anticipated dividends of SEK 189 (98) million, as well as a reversal of SEK 45 (-) million of previous impairment losses on shares in subsidiaries.

FUTURE TRENDS

In 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 AFTER THE END OF THE FINANCIAL YEAR

On 12 January 2016 Vallvik Mill was granted a new environmental permit to produce 255,000 tonnes of sulphate pulp. The new permit ensures that Rottneros can continue to expand capacity as planned under Agenda 500.

On 4 March 2016 the Company announced that Rottneros Mill will invest SEK 98 million in a new energy and emission-efficient biomass boiler. As a result the mill will be completely independent of fossil fuel. The investment will also enable Rottneros Mill to rebuild large parts of the energy system, which will significantly improve energy efficiency. The new biofuel boiler is expected to be completed and commissioned around mid-2017.

No other significant events occurred after the end of the financial year that would impact the Group's financial position and results of operations.

NUMBER OF EMPLOYEES

The average number of employees was 264 (251) in 2015. The increase was mainly attributable to production personnel.

The average term of employment is about 18 years, and the average age of employees is approximately 50 years.

SUMMARY CONSOLIDATED BALANCE SHEET

SEK MILLION	2015	2014
Fixed assets	706	691
Current assets	511	481
Cash and cash equivalents	169	89
TOTAL ASSETS	1,386	1,261
Shareholders' equity	1,058	975
Interest-bearing liabilities	–	30
Non-interest-bearing liabilities	328	256
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,386	1,261

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

SEK MILLION	2015	2014
Cash flow from operating activities	335	104
Cash used in investing activities	-103	-20
Net repayment of loans	-30	-30
Dividends paid	-122	–
NET CASH FLOW FOR THE YEAR	80	54

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 decisions
- H** Environment

Financial risk areas

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

SENSITIVITY ANALYSIS, 2015

Type of risk	Change	Effect on annual profit/loss after net financial items (SEK m)			Sensitivity
		2015	2014		
Pulp prices	USD 50/tonne	100	80		High
USD	SEK 0.50/USD	50	70		High
Electricity prices	SEK 0.10/kWh	25	25		High
Timber prices	SEK 10/m ³ f	15	15		Medium
Interest rate risk	1 percentage point	0	0		Low
Refinancing					Low
Credit risk					Low

Sensitivity calculations for each type of risk do not take into account the impact of real changes on other items. The effect of hedging, if any, has not been taken into account either.

OPERATIONAL RISK AREAS

RISK AREA	RISK MANAGEMENT
<p>A VARIATIONS IN PULP PRICE</p> <p>The pulp price is set in a global market and the price of Rottneros' products is entirely dependent on how global demand for pulp products can be matched with the industry's production volume.</p> <p>Variations in pulp price are seldom related to changes in Rottneros' costs and may thus generate major fluctuations in the result.</p> <p>A high pulp price is positive to the result but may have a negative impact on potential sales volumes.</p> <p>'Pulp price risk' means the risk of changes in pulp prices having a negative impact on the consolidated income statement and balance sheet.</p>	<p>PROBABILITY: 4 IMPACT: 5</p> <p>The setting of prices in the pulp market is governed by international price levels that depend on demand and the global economy.</p> <p>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.</p> <p>Rottneros develops product segments that involve more added value and that can substitute mass products in the long term. The objective is to reduce dependency on the list price for market pulp and thereby mitigate fluctuations in profitability over a business cycle.</p> <p>COMMENTS ON OUTCOME FOR 2015: Rottneros had no pulp hedging on 31 December.</p> <p>PULP PRICES IN USD AND SEK</p> 
<p>B STRUCTURAL CHANGE</p> <p>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.</p>	<p>PROBABILITY: 5 IMPACT: 2</p> <p>Rottneros has focussed on growth in product segments in which the Company can add value through its knowledge and high-quality pulp, in order to manage structural change in the industry. The objective is to reduce dependency on the list price for market pulp and thereby mitigate fluctuations in profitability over a business cycle.</p>
<p>C1 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>PROBABILITY: 1 IMPACT: 4</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>

RISK AREA	RISK MANAGEMENT
C2 RAW MATERIAL PRICES	PROBABILITY: 2 IMPACT: 3

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.

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.

COMMENTS ON OUTCOME FOR 2015:

Rottneros raw material cost for 2015 amounted to SEK 591 (561) million, equivalent to 33 (36) per cent of net turnover.

D ELECTRICITY PRICES	PROBABILITY: 3 IMPACT: 3
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Energy costs represent a substantial part of Rottneros Mill's production costs. Increased energy prices may lead to increased production costs and have a negative impact on the Group's operating profit.

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.

The Board of Directors approves hedging levels based on proposals from senior management. The Board also approves new financial counterparties.

COMMENTS ON OUTCOME FOR 2015:

At the end of December 2015, electricity was hedged corresponding to the percentage of forecast consumption specified in the table. Hedging is denominated in both EUR and SEK. The table shows average prices in EUR/MWh, for electricity hedges denominated in EUR, together with average prices in SEK/kWh for all electricity hedges.

In all, 20 per cent of electricity hedges for 2016 are denominated in EUR. For these hedges there are currency hedges of EUR 1.6 million at an average rate of SEK 9.00/EUR. All other electricity hedges are denominated in SEK.

The average price level for electricity on the Nord Pool exchange amounted to SEK 0.20 (0.29) per kWh for the whole of 2015.

ELECTRICITY HEDGING AS OF 31 DECEMBER 2015

Year	Proportion hedged	EUR/MWh	SEK/kWh
2016	77%	37.0	0.264
2017	59%		0.240
2018	44%		0.228
2019	44%		0.237

E CUSTOMER STRUCTURE AND CUSTOMER CREDIT	PROBABILITY: 1 IMPACT: 2
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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.

Rottneros considers that the Group has a good diversification of commercial risk with over 100 customers, of which the ten largest together represent approximately 50 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.

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.

Credit risk is managed at the Group level. Credit risk arises through cash and cash equivalents, derivative instruments and deposits at banks and financial institutions, and through credit exposures to customers.

With few exceptions, business risk relating to accounts receivable is insured through credit insurance with a ten per cent excess.

COMMENTS ON OUTCOME FOR 2015:

The Group has just over 100 customers and the maximum credit risk on outstanding accounts receivable amounted to SEK 25 million at the end of 2015 (10 per cent excess + any uninsured claims).

97 (92) per cent of total outstanding accounts receivable were insured on 31 December 2015. Historically, the Group has only incurred small credit losses.

OPERATIONAL RISK AREAS

RISK AREA	RISK MANAGEMENT
F FACILITIES	PROBABILITY: 3 IMPACT: 3
<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>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 also has a relatively low level of capital in fixed assets compared with the rest of the industry, which results in low depreciation and a low capital cost. Rottneros had machinery with a total book value of SEK 515 (498) million at the end of 2015. The replacement cost is much higher.</p> <p>COMMENTS ON OUTCOME FOR 2015: In 2015, maintenance shutdowns were carried out during the third quarter at Rottneros Mill and the fourth quarter at Vallvik Mill. Insurance is reviewed and procured annually.</p>
G POLITICAL DECISIONS	PROBABILITY: 1 IMPACT: 2
<p>Political decisions may have a negative impact on production at the Group's pulp mills through changes in environmental legislation.</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. These 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.</p>
H ENVIRONMENT	PROBABILITY: 3 IMPACT: 4
<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 34.</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 routines for follow-up, taking samples and dealing with deviations.</p> <p>The Group has a continuous sampling system with alarm functions linked to the mills' control systems to detect and prevent any infringements of applicable provisions and requirements. Random manual samples are taken in addition to this.</p> <p>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>COMMENTS ON OUTCOME FOR 2015: After the reporting date, on 12 January 2016, Vallvik Mill was granted a new environmental permit to produce 255,000 tonnes of sulphate pulp. The new permit ensures that Rottneros can continue to expand capacity in accordance with the Group's strategic plan Agenda 500. It is a comprehensive permit under the Environmental Code that is subject to a number of conditions, which is essentially consistent with the Company's view of the situation.</p> <p>After the reporting date, on 4 March 2016 the Company announced that Rottneros Mill will invest SEK 98 million in a new energy and emission-efficient biomass boiler. As a result the mill will be completely independent of fossil fuel. The investment will also enable Rottneros Mill to rebuild large parts of the energy system, which will significantly improve energy efficiency. The new biofuel boiler is expected to be completed and commissioned around mid-2017.</p>

FINANCIAL RISK 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 the 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
I CURRENCY – BALANCE EXPOSURE	PROBABILITY: 4 IMPACT: 1
<p>'Currency risk' means that currency rate changes may have a negative impact on the Group's future results, cash flows and values of assets and liabilities.</p>	<p>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>
J CURRENCY – TRANSACTION EXPOSURE	PROBABILITY: 4 IMPACT: 5
<p>'Transaction exposure' is the risk of exchange rate fluctuations in export revenue and import costs having a negative impact on operating profit.</p>	<p>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. The central finance function is responsible for proactively monitoring and managing the Group's exchange rate exposure and ensuring that actual risk exposure is identified and managed.</p> <p>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>COMMENTS ON OUTCOME FOR 2015: The underlying exposure to USD is high, while the direct inflow of USD (the real flow) corresponds to approximately 50 per cent and in EUR approximately 35 per cent. However, the impact of exchange rate fluctuations on indirect exposure is delayed, as the normal duration of a pulp contract is between one and three months. As of 31 December 2015 Rottneros had currency hedges of EUR 1.6 million (related to electricity hedges) and USD 4.5 million (related to accounts receivable).</p>
K INTEREST	PROBABILITY: 1 IMPACT: 1
<p>'Interest rate risk' comprises the exposure of the Group's financial assets and financial liabilities with a floating interest rate.</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 69. 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>COMMENTS ON OUTCOME FOR 2015: On 31 December 2015 the Group had no interest-bearing liabilities (SEK 30 million as of 31 December 2014). Interest-bearing net loans receivable as of 31 December 2015 amounted to SEK 169 (59) million.</p>
L LIQUIDITY RISK AND REFINANCING RISK	PROBABILITY: 2 IMPACT: 4
<p>There is a risk that Rottneros may not have sufficient liquid assets to pay for running costs, or the Group not being granted credit.</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. 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.</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>COMMENTS ON OUTCOME FOR 2015: The Group's liquidity reserve at the end of 2015 amounted to 19 per cent (14.5 per cent) of turnover and the target is "at least 10 per cent".</p> <p>The Group's debt/equity ratio amounted to -16 per cent (-6 per cent) at the end of 2015.</p> <p>Group net loans receivable for 2015 amounted to SEK 169 (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 2015.

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 and Energy 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.

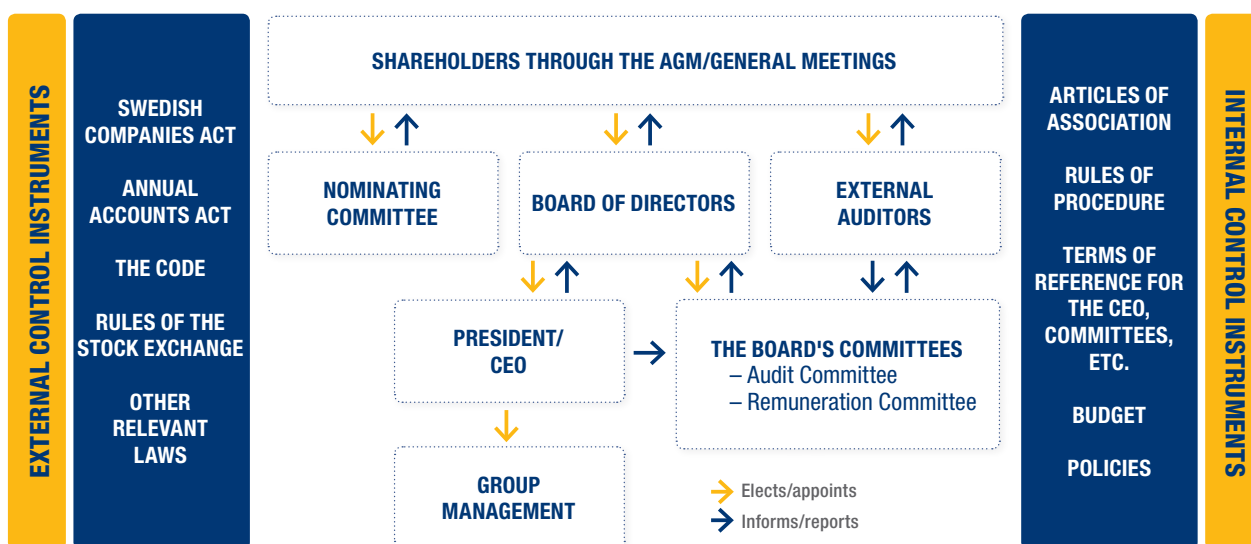
Each shareholder has the right to participate in the AGM, either in person or through an authorised proxy. Each shareholder has the right to raise issues to be addressed at the AGM.

Notices of meetings and other information prior to AGMs/general meetings are available on Rottneros' website www.rottneros.com. 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 8,938 shareholders on 31 December 2015. 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

STRUCTURE FOR CORPORATE GOVERNANCE



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 December 2015. 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. Please see pages 76-77 for more information about the share, shareholders, etc. Information is also available on the Company's website.

2015 Annual General Meeting

Rottneros' 2015 AGM was held on 20 May 2015 in Stockholm. Twenty-seven of the Company's shareholders attended the meeting, representing 52.7 per cent of the Company's votes and capital (excluding Rottneros' treasury 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 to discharge the directors and CEO/managing directors from liability for financial year 2014.
- The AGM resolved in accordance with the Board's proposal to pay shareholders an ordinary dividend of SEK 0.20 per share as well as SEK 0.20 per share as an extra dividend attributable to the cash injection in connection with the sale of the Utansjö plant.
- The Board should comprise four ordinary members.
- Rune Ingvarsson, Roger Asserstål and Per Skoglund were re-elected as direc-

tors and Marie S. Arwidson was newly elected as director.

- Rune Ingvarsson was re-elected as Chairman of the Board.
- A fee of SEK 550,000 should be paid to the Chairman of the Board and SEK 275,000 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 27,500 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 2016 AGM, with Erik Sandström as auditor in charge.
- The AGM resolved to 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.

Extraordinary General Meeting 16 December 2015

An Extraordinary General Meeting was held on 16 December 2015 to address the Board's proposals to the EGM to resolve on an additional dividend, known as an extraordinary dividend.

Nineteen of the Company's shareholders attended the meeting, representing 56.6 per cent of the Company's votes and capital (excluding Rottneros' treasury shares). A majority of the Board members, including Chairman Rune Ingvarsson, as well as the CEO, were present.

The Meeting resolved, in accordance with the Board's proposal, to pay shareholders a dividend of SEK 0.40 per share as an extraordinary dividend (based on distributable funds according to the 2014 Annual Report).

NOMINATING COMMITTEE

Rottneros' AGM makes decisions on the principles for the appointment of the Nominating Committee. The 2015 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 appointed by the Company's major shareholder and the others shall be appointed by 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

COMPOSITION OF THE BOARD AND ATTENDANCE 2015

Attendance in 2015 ¹⁾

Amounts in SEK thousand		Dependence	Total fees, 2015	Total fees, 2014	Board meetings	Committee meetings
Rune Ingvarsson ²⁾	(Chairman)	X	550	500	100%	100%
Marie S. Arwidson			275	–	86%	75%
Roger Asserstål			275	250	100%	100%
Per Lundeen ³⁾		X	–	250	100%	–
Per Skoglund ²⁾		X	275	250	100%	100%
Bengt-Åke Andersson	(employee representative)		28	25	100%	–
Mikael Lilja	(employee representative)		28	25	60%	–
Gun-Marie Nilsson	(employee representative/deputy)		28	25	100%	–
Tomas Wasberg	(employee representative/deputy)		28	25	60%	–

¹⁾ Rune Ingvarsson, Roger Asserstål, Per Skoglund, Bengt-Åke Andersson and Gun-Marie Nilsson have attended all Board meetings since the 2015 AGM. Marie S. Arwidson attended 86 per cent of the Board meetings and 75 per cent of the committee meetings since the 2015 AGM. Mikael Lilja and Thomas Wasberg attended 60 per cent of the Board meetings during 2015. Per Lundeen, who was a Board member until the 2015 AGM, attended 100 per cent of the Board meetings until the AGM.

²⁾ Dependent in relation to the Company's largest shareholder, Arctic Paper S.A.

³⁾ Per Lundeen was dependent in relation to the Company and executive management from 6 November 2014 (when he was appointed acting CEO) until the 2015 AGM.

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 2016 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 and the process for shareholders to submit proposals to the Nominating Committee was published on 12 November 2015 and held available on Rottneros' website. Olle Grundberg (Arctic Paper S.A.) was appointed Chairman of the Nominating Committee. Other members appointed were Stefan Sundh (PROAD AB) and Rune Ingvarsson (Chairman of the Board of Rottneros AB). Altogether, the Nominating Committee represented about 56 per cent of the votes attached to all shares in Rottneros.

The Nominating Committee shall submit proposals for decisions to the 2016 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 2015 AGM, Ernst & Young AB (EY) was elected as the Company's auditor for the period up until the 2016 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 2015 AGM. The auditor attends the AGM to present the auditor's report.

Fees for the public accounting firm for 2015 (including fees for advisory services) are presented in Note 7 of the 2015 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 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. As of 6 November 2014 Board member Per Lundeen was appointed acting CEO of the Company and since February 2015 CEO of the Company; he also continued to serve as a Board member until the Annual General Meeting on 20 May 2015. 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 45 shows the composition of the Board in 2015 in addition to remuneration paid to Board members for the full years 2015 and 2014 respectively. Further information about the Board members is available on page 74.

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 on 6 November 2014 and served on the Board until the AGM on 20 May 2015, was not independent in relation to the Company and executive 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, and that appropriate systems are in place for monitoring the business and its risks, as well as for compliance with laws, rules and internal guidelines. 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 20 May 2015 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 2015. 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/May and July/August.
- 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 financial 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 at least once a year on whether the Company has succeeded in ensuring that bookkeeping, administration and financial control are effective, after which the Board discusses this with the auditors without the presence of the CEO or other members of management.

THE BOARD'S COMMITTEES

The Board of Directors has full knowledge of and responsibility for all matters on which it must make decisions. 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. The Committee has comprised Board members Marie S. Arwidson, Roger Asserstål, Per Skoglund and Rune Ingvarsson (Chairman of the Board) since the 2015 AGM. Marie S. Arwidson is Chairman of the Committee.

The Audit Committee held four meetings in 2015 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.

The Compensation Committee has comprised Board members Marie S. Arwidson, Roger Asserstål, Per Skoglund and Rune Ingvarsson (Chairman of the Board) since the 2015 AGM. Rune Ingvarsson is Chairman of the Committee.

The Committee held three meetings in 2015 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, the CFO and two heads of Group staff. Information about the CEO and Group management is shown on page 75 of the 2015 Annual Report. Group management has regular operational reviews led by the CEO, often in conjunction with visits to the various units belonging to the Group.

The Board of Directors' 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 2016 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 75 of the 2015 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 executive 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 2015 can be found in Note 6 of the 2015 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 2015 AGM.

Variable remuneration is dependent on the achievement of targets, which are set annually. These targets are broken down into specified quantitative objectives, mainly directed at financial objectives, results and cash flow of the Group, but also – in relation to Heads of Units – the

respective business unit, and also qualitative personal objectives, 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 and does not give entitlement to holiday pay. 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 2015 (included in the Annual Report for the respective year)

ROTTNEROS' SYSTEM FOR INTERNAL CONTROL, FOLLOW-UP MEASURES 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 for each mill, where the President, CFO and Group Controller discuss with the respective company's management group. Since the relocation of Group headquarters from Stockholm to Vallvik Mill in early 2014, 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 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 four months 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 routines 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 Controller also works closely with subsidiary representatives 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.

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.

APPROPRIATION OF PROFITS AND SIGNATURES

PROPOSED APPROPRIATION OF PROFITS

The consolidated income statement and balance sheet will be submitted to the AGM on 20 May 2016 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 dividend proposal. A detailed account regarding the Board's dividend proposal is available on the Company's website, www.rottneros.com.

AT THE DISPOSAL OF THE ANNUAL GENERAL MEETING:

Retained earnings	200,800,196
Net profit for the year	216,354,588
SEK	417,154,784

THE BOARD OF DIRECTORS PROPOSES:

To be distributed to shareholders ^{1,2}	45,771,578
To be carried forward	371,383,206
SEK	417,154,784

¹ After adjustment for repurchased shares in treasury.

² Dividend SEK 0.30 per share.

STOCKHOLM, 14 MARCH 2016

ROTTNEROS AB (PUBL), CORPORATE ID NO. 556013-5872

Rune Ingvarsson
Chairman of the Board

Marie S. Arwidson
Board Member

Roger Asserstål
Board Member

Per Skoglund
Board Member

Bengt-Åke Andersson
Board Member,
employee representative

Mikael Lilja
Board member,
employee representative

Per Lundeen
President and CEO

Our audit report was submitted on 18 March 2016

Ernst & Young AB

Erik Sandström
Authorised Public Accountant

INCOME STATEMENTS GROUP

CONSOLIDATED INCOME STATEMENT — 1 JANUARY-31 DECEMBER

Amounts in SEK m	Note	2015	2014
Net turnover	1,8	1,795	1,547
Change in inventories of finished goods		10	-4
Other income	2	54	45
		1,859	1,588
Operating expenses			
Raw materials and consumables	3	-899	-847
Other expenses	7,8	-420	-374
Employee benefit expenses	5,6	-219	-190
Depreciation/amortisation and impairment of property, plant and equipment and intangible assets	11,12	-58	-59
Operating profit		263	118
Financial items			
Financial income	9	1	—
Financial expenses	9	-5	-4
Total financial items		-4	-4
Profit after financial items		259	114
Tax on profit for the year	10	-36	19
PROFIT FOR THE YEAR		223	133
Earnings per share, SEK ¹		1.46	0.87
Average number of shares		152,572	152,572

¹ 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	2015	2014
PROFIT FOR THE YEAR		223	133
Other comprehensive income			
Items that have been or may be transferred to profit or loss for the period			
Change in fair value on cash flow hedges		-32	-11
Cash flow hedges transferred to profit or loss		9	30
Cash-flow hedging, tax effect		5	-4
Translation differences		0	2
Total other comprehensive income		-18	17
TOTAL COMPREHENSIVE INCOME FOR THE YEAR²		205	150

² 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	2015	2014
ASSETS			
Fixed assets			
Intangible fixed assets	11	7	5
Property, plant and equipment	12	659	615
Deferred tax assets	10	38	69
Other financial assets	15	2	2
Total fixed assets		706	691
Current assets			
Inventories, etc.	16	267	255
Accounts receivable	17	190	172
Other current receivables	18	49	50
Current tax assets		5	4
Cash and cash equivalents	19	169	89
Total current assets		680	570
TOTAL ASSETS		1,386	1,261

CONSOLIDATED BALANCE SHEET ON 31 DECEMBER

Amounts in SEK m	Note	2015	2014
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
	20		
Share capital		153	153
Other injected capital		730	730
Treasury shares		-69	-69
Other reserves		-34	-16
Retained earnings, incl. profit for the year		278	177
Total shareholders' equity		1,058	975
Non-current liabilities			
Interest-bearing	21	—	30
Derivative instruments	4	15	8
Other non-interest-bearing liabilities		3	1
Total non-current liabilities		18	39
Current liabilities			
Accounts payable		129	104
Derivative instruments	4	19	3
Other non-interest-bearing liabilities	23	162	140
Total current liabilities		310	247
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,386	1,261
Pledged assets			
	13	509	326
Contingent liabilities			
	24	3	3

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY – GROUP

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY – 2014

Amounts in SEK m	Share capital	Other injected capital	Treasury shares	Other reserves		Retained earnings, incl. profit for the year	Total share-holders' equity
				Hedging reserve	Translation difference		
Opening balance, 1 January 2014	153	730	-69	-23	-10	44	825
Comprehensive income							
Profit for the year	–	–	–	–	–	133	133
Other comprehensive income							
Cash flow hedging, profit/loss after tax	–	–	–	15	–	–	15
Exchange rate differences	–	–	–	–	2	–	2
Total other comprehensive income	–	–	–	15	2	–	17
Total comprehensive income	–	–	–	15	2	–	17
Transactions with shareholders							
Dividends to shareholders	–	–	–	–	–	–	–
CLOSING BALANCE, 31 DECEMBER 2014	153	730	-69	-8	-8	177	975

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY – 2015

Amounts in SEK m	Share capital	Other injected capital	Treasury shares	Other reserves		Retained earnings, incl. profit for the year	Total share-holders' equity
				Hedging reserve	Translation difference		
Opening balance, 1 January 2015	153	730	-69	-8	-8	177	975
Comprehensive income							
Profit for the year	–	–	–	–	–	223	223
Other comprehensive income							
Cash flow hedging, profit/loss after tax	–	–	–	-18	–	–	-18
Exchange rate differences	–	–	–	–	0	–	0
Total other comprehensive income	–	–	–	-18	0	–	-18
Total comprehensive income	–	–	–	-18	0	–	-18
Transactions with shareholders							
Dividends to shareholders	–	–	–	–	–	-122	-122
CLOSING BALANCE, 31 DECEMBER 2015	153	730	-69	-26	-8	278	1,058

STATEMENTS OF CASH FLOWS GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS – 1 JANUARY-31 DECEMBER

Amounts in SEK m	Note	2015	2014
OPERATING ACTIVITIES			
Operating profit		263	118
Adjustment for non-cash flow items			
Depreciation/amortisation/impairment losses		58	59
		321	177
Received/paid financial items		-3	-2
Income tax received/paid		-1	0
Cash flow from operating activities before working capital changes		317	175
Working capital changes			
Change in inventories		-11	-10
Change in current receivables		-26	-65
Change in current liabilities (non-interest-bearing)		55	4
Total changes in working capital		18	-71
CASH FLOW FROM OPERATING ACTIVITIES		335	104
Investing activities			
Purchase of intangible fixed assets		-2	-1
Purchase of property, plant and equipment		-101	-58
Sale of property, plant and equipment		0	39
CASH USED IN INVESTING ACTIVITIES		-103	-20
Financing activities			
Borrowings		–	30
Repayment of loans		-30	-60
Dividends paid		-122	–
CASH USED IN FINANCING ACTIVITIES		-152	-30
Net cash flow for the year		80	54
Cash and cash equivalents at the beginning of the year		89	35
CASH AND CASH EQUIVALENTS AT YEAR-END	19	169	89
Granted and unused credit facilities		175	145

INCOME STATEMENTS

PARENT COMPANY

PARENT COMPANY INCOME STATEMENT – 1 JANUARY-31 DECEMBER

Amounts in SEK m	Note	2015	2014
Net turnover	1,8	6	6
Other income	2	11	-1
		17	5
Operating expenses			
Other expenses	7,8	-10	-36
Employee benefit expenses	5,6	-13	-23
Depreciation/amortisation and impairment of property, plant and equipment and intangible assets	11,12	0	0
Operating loss		-6	-54
Financial items			
Profit from participations in Group companies	9	234	98
Financial expenses	9	-2	-8
Total financial items		232	90
Profit after financial items		226	36
Tax on profit for the year	10	-10	21
PROFIT FOR THE YEAR		216	57

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

Amounts in SEK m	Note	2015	2014
PROFIT FOR THE YEAR		216	57
Other comprehensive income		–	–
Total other comprehensive income		–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		216	57

BALANCE SHEETS

PARENT COMPANY

BALANCE SHEET FOR PARENT COMPANY ON 31 DECEMBER

Amounts in SEK m	Note	2015	2014
ASSETS			
Fixed assets			
Intangible fixed assets	11	6	5
Property, plant and equipment	12	1	1
Financial assets	15	278	231
Deferred tax assets	10	31	41
Total fixed assets		316	278
Current assets			
Other current receivables	18	655	630
Cash and cash equivalents	19	166	72
Total current assets		821	702
TOTAL ASSETS		1,137	980

BALANCE SHEET FOR PARENT COMPANY ON 31 DECEMBER

Amounts in SEK m	Note	2015	2014
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
	20		
Share capital		153	153
Statutory reserve		440	440
Share premium reserve		268	268
Retained earnings, incl. profit for the year		148	54
Total shareholders' equity		1,010	915
Non-current liabilities			
Non interest-bearing		3	1
Total non-current liabilities		3	1
Current liabilities			
Accounts payable		1	11
Other non-interest-bearing liabilities	23	123	53
Total current liabilities		124	64
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,137	980
Pledged assets			
	13	276	231
Contingent liabilities	24	3	3

CHANGES IN SHAREHOLDERS' EQUITY – PARENT COMPANY

CHANGES IN SHAREHOLDERS' EQUITY – PARENT COMPANY 2014

Amounts in SEK m	Share capital	Statutory reserve	Share premium reserve	Retained earnings, incl. profit for the year	Total shareholders' equity
Opening balance, 1 January 2014	153	440	268	-3	858
Profit for the year	–	–	–	57	57
CLOSING BALANCE, 31 DECEMBER 2014	153	440	268	54	915

CHANGES IN SHAREHOLDERS' EQUITY – PARENT COMPANY 2015

Amounts in SEK m	Share capital	Statutory reserve	Share premium reserve	Retained earnings, incl. profit for the year	Total shareholders' equity
Opening balance, 1 January 2015	153	440	268	54	915
Dividends to shareholders	–	–	–	-122	-122
Profit for the year	–	–	–	216	216
CLOSING BALANCE, 31 DECEMBER 2015	153	440	268	148	1,010

STATEMENTS OF CASH FLOWS

PARENT COMPANY

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

Amounts in SEK m	Note	2015	2014
OPERATING ACTIVITIES			
Operating loss		-6	-54
Received/paid financial items		-2	-7
Cash used in operating activities before working capital changes		-8	-61
Working capital changes			
Change in current receivables		163	169
Change in current liabilities (non-interest-bearing)		62	10
Total changes in working capital		225	179
CASH FLOW FROM OPERATING ACTIVITIES		217	118
Investing activities			
Purchase of intangible fixed assets		-1	-1
CASH USED IN INVESTING ACTIVITIES		-1	-1
Financing activities			
Repayment of loans		–	-46
Dividends paid		-122	–
CASH USED IN FINANCING ACTIVITIES		-122	-46
Cash flow for the year		94	71
Cash and cash equivalents at the beginning of the year		72	1
CASH AND CASH EQUIVALENTS AT YEAR-END	19	166	72
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

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

Standards, amendments and interpretations that entered into force in 2015, were adopted by the EU and applied by the Group

The Group applies the amendments to standards and interpretations applicable for financial years commencing 1 January 2015 or later for the first time in the 2015 annual report.

IFRIC 21 Levies

IFRIC Interpretation 21 applies to all levies that are not within the scope of other standards. It clarifies when a liability should be recognised with respect to a levy. The interpretation has only a limited impact on the consolidated financial statements.

There are no comments on other changes to IFRS since these have had no 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

A number of new and revised IFRSs have not yet entered into force and have not been applied early. None of the new standards, revised standards or IFRIC interpretations published by 31 December 2015 are expected to have a material impact on the consolidated financial statements.

Standards, amendments and interpretations not yet approved by the EU

A number of new and revised IFRSs have not yet entered into force nor have they been approved by the EU. Below are the IFRSs that may affect the Group's financial statements. None of the other new standards, revised standards or IFRIC interpretations published by 31 December 2015 are expected to have any impact on the Group's or parent company's financial statements.

IFRS 9, Financial Instruments

IFRS 9 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. However, 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 enters into force on 1 January 2018. 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. However, the EU has yet to approve the standard. The Group has yet to assess the effects of the new standard.

IFRS 16, Leases

IFRS 16 will replace IAS 17 beginning on 1 January 2019. Under the new standard, the majority of leased assets are recognised on the balance sheet. The EU has not yet stated when they expect to approve the standard. 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 profit/loss 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 exceeds 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 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 profit/loss.

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.

INTANGIBLE FIXED 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.

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 they arise. Subsequent costs are added to the carrying amount of the asset or recognised as a separate asset.

DEPRECIATION/AMORTISATION

Depreciation/amortisation according to plan is based on the cost and estimated economic 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
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.

NOTES

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 taxable 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 4 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 153 per cent (143 per cent) at the end of 2015. 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. Income 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 income 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 reported cash flow only covers transactions involving cash receipts or payments. This means that there may be variances when compared with changes to individual items in the balance sheet.

FINANCIAL ASSETS

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

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 expenses'.

Derivative instruments

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.

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 39 to 43.

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 deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilised. Deferred tax assets for such temporary differences as of 31 December 2015 amounted to SEK 38 (69) million. The amount was affected during the year by the use of previously capitalised tax loss carryforwards of SEK 57 (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 31 (67) million, equivalent to SEK 141 (302) million in unused tax losses. There were no other unused tax losses (SEK 98 million as of 31 December 2014) 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 is 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 39 to 43) 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.

NOTES

NOTE 1.

GEOGRAPHICAL DISTRIBUTION OF TURNOVER

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

	2015	%	2014	%
Sweden	286	16%	182	12%
Other Nordic countries	95	5%	92	6%
Germany	344	19%	306	20%
Italy	318	18%	141	9%
UK	100	6%	77	5%
Poland	95	5%	76	5%
Rest of Europe	192	11%	231	15%
US	178	10%	182	12%
India	94	5%	121	8%
China	38	2%	52	3%
Rest of world	55	3%	87	5%
Total	1,795	100%	1,547	100%

In 2015, the Group's largest customer accounted for 11 per cent of sales. No other customer accounts for more than 10 per cent of sales. Of the parent company's net sales, 100 per cent (100) relates to wholly owned subsidiaries and consists of management fees received.

NOTE 2.

OTHER INCOME

Other operating income	Group		Parent Company	
	2015	2014	2015	2014
Profit/loss from sale of fixed assets	0	4	0	4
Sale of by-products	30	24	–	–
Foreign currency gains/losses	6	16	-5	–
Pulp futures	–	-14	–	-14
Currency forwards – cash flow hedging	6	7	6	1
Sale of green electricity certificates	3	4	–	–
Emission allowances	1	1	–	–
Other	8	3	10	8
Total	54	45	11	-1

NOTE 3.

RAW MATERIALS AND CONSUMABLES

	Group		Parent Company	
	2015	2014	2015	2014
Electricity futures – cash flow hedging	-23	-17	–	–
Other costs for raw materials and consumables	-876	-830	–	–
Total	-899	-847	–	–

NOTE 4.

FINANCIAL INSTRUMENTS

The following tables show financial instruments measured at fair value on the basis of how they are classified in the fair value hierarchy. 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).

The following table shows the Group's derivatives measured at fair value as of 31 December 2015:

Derivatives

31 December 2015	Level 1	Level 2	Level 3	Total
Assets				
Derivative instruments used for hedging purposes	–	2	–	2
Total	–	2	–	2
Liabilities				
Derivative instruments used for hedging purposes	–	34	–	34
Total	–	34	–	34

The following table shows the Group's derivatives measured at fair value as of 31 December 2014:

Derivatives

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

Financial instruments for each category

31 December 2015	Financial receivables and cash and cash equivalents	Derivatives for hedging purposes	Total
Assets			
Derivatives	–	2	2
Accounts receivable and other receivables, excluding non-financial assets	231	–	231
Cash and cash equivalents	169	–	169
Total	400	2	402
	Financial liabilities	Derivatives for hedging purposes	Total
Liabilities			
Derivatives	–	34	34
Accounts payable and other liabilities, excluding non-financial liabilities	146	–	146
Total	146	34	180

Financial instruments for each category

31 December 2014	Financial receivables and cash and cash equivalents	Derivatives for hedging purposes	Total
Assets			
Derivatives	–	3	3
Accounts receivable and other receivables, excluding non-financial assets	199	–	199
Cash and cash equivalents	89	–	89
Total	288	3	292
	Financial liabilities	Derivatives for hedging purposes	Total
Liabilities			
Derivatives	–	13	13
Loans	30	–	30
Accounts payable and other liabilities, excluding non-financial liabilities	115	–	115
Total	145	13	158

Derivatives

	2015		2014	
	Assets	Liabilities	Assets	Liabilities
Currency forwards – cash flow hedging	2	–	2	–
Pulp futures – cash flow hedging	–	–	–	–
Electricity futures – cash flow hedging	–	34	–	13
Total	2	34	2	13
Minus non-current portion:				
Currency forwards – cash flow hedging	–	–	1	–
Pulp futures – cash flow hedging	–	–	–	–
Electricity futures – cash flow hedging	–	-15	–	-9
Current portion	2	19	1	4

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.

Fair value of hedging derivatives on 31 December 2015

Fair value (SEK m) December 2015	Hedged volume	Hedging level	Fair value	Reference value, spot
Currency EUR, forward buy	EUR 1.6 m	SEK 9.00/EUR	1	SEK 9.14/EUR
Currency USD, forward sell	USD 4.5 m	SEK 8.68/USD	1	SEK 8.35/USD
Electricity	657,480 MWh	SEK 0.245/kWh	-34	SEK 0.142/kWh
Total fair value			-32	

Fair value of hedging derivatives on 31 December 2014

Fair value (SEK m) December 2014	Hedged volume	Hedging level	Fair value	Reference value, spot
Currency EUR, forward sell	EUR 1 m	SEK 8.84/EUR	-1	SEK 9.46/EUR
Currency EUR, forward buy	EUR 5.7 m	SEK 9.06/EUR	3	SEK 9.48/EUR
Electricity	175,368 MWh	SEK 0.38/kWh	-13	SEK 0.275/kWh
Total fair value			-10	

The fair 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 development 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 39 to 43.

NOTES

NOTE 5. PERSONNEL

	2015		2014	
	Average no. of employees	of whom men %	Average number of employees	of whom men %
Parent Company	7	71	7	75
Subsidiaries	257	86	244	84
Group, total	264	85	251	84
Of which				
Sweden	261	85	248	84
Latvia	3	67	3	67
	264	85	251	84

Salaries and remuneration	2015			2014		
	Pay and other remuneration	Social security contributions	(of which pension expenses) ¹	Pay and other remuneration	Social security contributions	(of which pension expenses)
Parent Company	9	4	1	14	8	4
Subsidiaries	149	57	13	122	46	8
Group, total¹	158	61	14	136	54	12

¹ SEK 1.5 (2.5) million of the Group's pension expenses relate to the CEO and other senior executives.

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

	2015			2014		
SEK MILLION	Board, CEO, managing directors and other senior executives	(of which variable remuneration)	Other employees	Board, CEO, managing directors and other senior executives	(of which variable remuneration)	Other employees
Parent Company	8	1	1	11	0	3
Subsidiaries	1	0	148	1	0	121
Group, total	9	1	149	12	0	124

The comparative figures for 2014 also include a severance payment of SEK 5.5 million to the former CEO of the parent company, Carl-Johan Jonsson.

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 75 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 but also – in relation to Heads of Units – the respective business unit'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 30 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 year and 18 months.

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 2016.

Remuneration and other benefits in 2015 (SEK m)	Basic salary/ Directors' fees	Variable remuneration	Other benefits	Pension expenses	Other remuneration	Total
Chairman of Board, Rune Ingvarsson	0.5	–	–	–	–	0.5
Board Member, Per Skoglund	0.3	–	–	–	–	0.3
Board Member, Roger Asserstål	0.3	–	–	–	–	0.3
Board Member, Marie S. Arwidson ¹	0.3	–	–	–	–	0.3
Chief Executive Officer, Per Lundeen ²	1.7	0.7	0.0	0.5	1.5	4.4
Other senior executives (four people)	3.5	0.7	0.3	1.0	1.8	7.3
Total	6.6	1.4	0.3	1.5	3.3	13.1

¹ Board member from 20 May 2015.

² Board member until 20 May 2015. Acting CEO since 6 November 2014 and CEO since February 2015. Basic salary, variable remuneration, other benefits and pension expenses relate to the time from 21 May 2015. Up until 20 May 2015 CEO services were billed through a personal company, reported as other remuneration.

Remuneration and other benefits in 2014 (SEK m)	Basic salary/ Directors' fees	Variable remuneration	Other benefits	Pension expenses	Other remuneration	Total
Chairman of Board, Rune Ingvarsson	0.5	–	–	–	–	0.5
Board Member, Per Skoglund	0.3	–	–	–	–	0.3
Board Member, Roger Asserstål	0.3	–	–	–	–	0.3
Board Member, Per Lundeen	0.3	–	–	–	0.7	1.0
Chief Executive Officer, Carl-Johan Jonsson	2.5	–	0.2	0.9	5.5	9.1
Other senior executives (four people)	2.5	0.8	0.1	1.1	1.8	6.3
Total	6.4	0.8	0.3	2.0	8.0	17.5

COMMENTS ON THE TABLE

- Variable remuneration refers to what is charged to the profit/loss for 2015 and 2014 respectively. Variable remuneration for 2015 is paid out in 2016.
- "Other benefits" refers to company cars.
- There are two employee representatives and two deputies on the Board of Directors. They are Mikael Liija, Bengt-Åke Andersson, Tomas Wasberg and Gun-Marie Nilsson. The representatives each received a fee of SEK 27,500 (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 year-end. The Board of Directors (six people in total) comprised five men and one woman at year-end. This information applies to both the parent company and the Group.
- The table for 2014 includes a severance payment of SEK 5.5 million to the former CEO of the parent company, Carl-Johan Jonsson.

NOTE 7. AUDIT EXPENSES

	Group		Parent Company	
	2015	2014	2015	2014
Audit engagement (EY)	1.0	1.2	0.5	0.5
Audit-related services in addition to the audit engagement (EY)	0.2	0.1	0.2	0.1
Other services	0.3	–	–	–
Total	1.5	1.3	0.7	0.6

NOTE 8. TRANSACTIONS WITH RELATED PARTIES AND PARENT COMPANY

Arctic Paper S.A. (parent company of Rottneros AB) owned 51 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 2015 and 2014 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, 2015	Sales, 2014	Accounts receivable 31 Dec. 15	Accounts receivable 31 Dec. 14
Arctic Paper S.A. Group	140	96	22	14

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

100 (100) per cent of the parent company's net turnover comprised turnover from subsidiaries and 2 (1) per cent of its operating costs related to purchases from subsidiaries.

NOTES

NOTE 9.

FINANCIAL INCOME AND EXPENSES

	Group		Parent Company	
	2015	2014	2015	2014
Financial income				
Dividend from external companies	1	0	–	–
Dividend from subsidiaries	–	–	166	32
Group contribution received/paid, net	–	–	23	66
Reversal of previous impairment of participating interests in subsidiaries	–	–	45	–
Total	1	0	234	98

	Group		Parent Company	
	2015	2014	2015	2014
Financial expenses				
Interest expenses	-4	-4	-2	-3
Other financial expenses	-1	0	0	-5
Total	-5	-4	-2	-8

NOTE 10.

TAX ON PROFIT FOR THE YEAR

	Group		Parent Company	
	2015	2014	2015	2014
Deferred tax	-36	20	-10	21
Total	-36	20	-10	21

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

	Group		Parent Company	
	2015	2014	2015	2014
Income for the year before tax	259	114	226	36
Tax at applicable tax rate	-57	-25	-50	-8
Tax effect of non-deductible items	-1	-1	0	-1
Tax effect of non-taxable items	0	1	40	2
Tax effect of previously non-capitalised unused tax losses	22	45	–	28
Total	-36	20	-10	21

TAX RATE

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:

	Unused tax losses	Derivatives	Total
Group			
As of 1 January 2014	47	6	53
Recognised in income statement	20	–	20
Recognised in other comprehensive income	–	-4	-4
As of 31 December 2014	67	2	69
Recognised in income statement	-36	–	-36
Recognised in other comprehensive income	–	5	5
As of 31 December 2015	31	7	38

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 profit/loss 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 31 million as of 31 December 2015 corresponding to a tax loss of SEK 141 million. There were no tax loss carryforwards for which deferred tax assets have not been recorded (SEK 98 million as of 31 December 2014).

The Group's valuation of capitalised tax loss carryforwards is based on the budget for the next year as well as 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 the next few years.

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	
	2015 31 Dec.	2014 31 Dec.	2015 31 Dec.	2014 31 Dec.
Deferred tax assets, current	–	–	–	–
Deferred tax assets, long-term	38	69	31	41
Deferred tax liabilities, current	–	–	–	–
Deferred tax liabilities, long-term	–	–	–	–
Total	38	69	31	41

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	
	2015 31 Dec.	2014 31 Dec.	2015 31 Dec.	2014 31 Dec.
Deferred tax assets	38	69	31	41
Deferred tax liabilities	–	–	–	–
TOTAL	38	69	31	41

NOTE 11.

INTANGIBLE FIXED ASSETS

Group	31 Dec. 2015					31 Dec. 2014				
	Software	Trade-marks	Licences	Assets under development	Total	Software	Trade-marks	Licences	Assets under development	Total
Opening cost	38	25	2	5	70	38	25	2	4	69
Acquisitions for the year	–	–	–	2	2	–	–	–	1	1
Closing accumulated cost	38	25	2	7	72	38	25	2	5	70
Opening amortisation	-38	-25	-2	–	-65	-38	-25	-2	–	-65
Amortisation for the year	–	–	–	–	0	–	–	–	–	–
Closing accumulated amortisation	-38	-25	-2	–	-65	-38	-25	-2	–	-65
CLOSING RESIDUAL VALUE ACCORDING TO PLAN	–	–	–	7	7	–	–	–	5	5

Parent Company	31 Dec. 2015			31 Dec. 2014		
	Software	Assets under development	Total	Software	Assets under development	Total
Opening cost	15	5	20	15	4	19
Acquisitions for the year	–	1	1	–	1	1
Closing accumulated cost	15	6	21	15	5	20
Opening amortisation	-15	–	-15	-15	–	-15
Amortisation for the year	–	–	–	–	–	–
Closing accumulated amortisation	-15	–	-15	-15	–	-15
CLOSING RESIDUAL VALUE ACCORDING TO PLAN	–	6	6	–	5	5

NOTES

NOTE 12.

PROPERTY, PLANT AND EQUIPMENT

Group	31 Dec. 2015							31 Dec. 2014						
	Land	Land im- prove- ments	Buil- dings	Machi- nery	Equip- ment	Constr. in pro- gress/ adv.	Total	Land	Land im- prove- ments	Buil- dings	Machi- nery	Equip- ment	Constr. in pro- gress/ adv.	Total
Opening cost	3	26	89	1,535	53	57	1,763	3	21	83	1,786	53	28	1,974
Purchases/advances	–	6	2	12	2	80	102	–	–	–	5	–	46	51
Sales/disposals	–	–	–	0	–	–	0	–	–	–	-262	–	–	-262
Items transferred during the year	–	1	3	56	–	-60	0	–	5	6	6	–	-17	–
Closing accumulated cost	3	32	94	1,603	55	77	1,864	3	26	89	1,535	53	57	1,763
Opening depreciation	–	-10	-49	-1,040	-42	–	-1,141	–	-9	-44	-1,109	-41	–	-1,203
Sales/disposals	–	–	–	0	–	–	0	–	–	–	120	–	–	120
Depreciation for the year	–	-1	-4	-52	-1	–	-58	–	-1	-5	-51	-1	–	-58
Closing accumulated de- preciation	–	-11	-53	-1,091	-43	–	-1,198	–	-10	-49	-1,040	-42	–	-1,141
Opening impairment loss	–	–	–	–	-9	2	-7	–	–	–	-117	-9	2	-124
Sales/disposals	–	–	–	–	–	–	–	–	–	–	117	–	–	117
Closing accumulated impairment losses	–	–	–	–	-9	2	-7	–	–	–	–	-9	2	-7
CLOSING RESIDUAL VALUE ACCORDING TO PLAN	3	21	41	512	3	79	659	3	16	40	495	2	59	615

Parent Company	31 Dec. 2015		31 Dec. 2014	
	Equipment	Total	Equipment	Total
Opening cost	2	2	2	2
Purchases/disposals	–	–	–	–
Closing accumulated cost	2	2	2	2
Opening depreciation	-1	-1	-1	-1
Depreciation for the year	–	–	–	–
Closing accumulated de- preciation	-1	-1	-1	-1
CLOSING RESIDUAL VALUE ACCORDING TO PLAN	1	1	1	1

NOTE 13. INTEREST-BEARING LIABILITIES

On 31 December 2015 the Group and the parent company had no interest-bearing liabilities (long-term interest-bearing liabilities SEK 30 million as of 31 December 2014). The Group had SEK 175 (145) million in credit facilities available for use.

Assets pledged for the credit facilities are shown below:

	Group		Parent Company	
	2015 31 Dec.	2014 31 Dec.	2015 31 Dec.	2014 31 Dec.
Company mortgages				
Shares in subsidiaries	509	326	276	231
Closing balance	509	326	276	231

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

Interest rate on reporting date was as follows:

	31 Dec. 2015			31 Dec. 2014		
Per cent	SEK	USD	EUR	SEK	USD	EUR
Bank overdraft facilities	1.01	2.08	1.35	1.66	1.84	1.55

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:

	2015 31 Dec.	2014 31 Dec.
SEK	–	–
EUR	–	–
USD ¹	–	5
	–	5

¹ Negative balance of USD account in 2014 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	
	2015 31 Dec.	2014 31 Dec.	2015 31 Dec.	2014 31 Dec.
Due within one year	1	1	–	–
Due for payment later than one year but within five years	1	2	–	–
Total	2	4	–	–

NOTES

NOTE 15. FINANCIAL ASSETS

	Group		Parent Company	
	2015, 31 Dec.	2014, 31 Dec.	2015, 31 Dec.	2014, 31 Dec.
Participating interests in Group companies	–	–	276	231
Other long-term receivables	2	2	2	–
Closing residual value according to plan	2	2	278	231

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

					Book value, parent company	
Parent company holdings	Corp. ID no.	Reg. office	No. of participating interests	Votes/share of equity %	31 Dec. 2015	31 Dec. 2014
Rottneros Bruk AB	556014-4502	Sunne	2,100,000	100	89	89
Utansjö Bruk AB	556012-7994	Härnösand	500,000	100	79	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
Total					276	231

			Parent Company	
Change in the value of financial assets			2015, 31 Dec.	2014, 31 Dec.
Opening cost			821	821
Closing accumulated cost			821	821
Opening impairment losses			-590	-590
Reversal of impairment losses			45	–
Closing accumulated impairment loss			-545	-590
CLOSING BOOK VALUE			276	231

NOTE 16. INVENTORIES

	Group	
	2015 31 Dec.	2014 31 Dec.
Raw materials and consumables	117	116
Pulp, valued at production cost	149	134
Pulp, valued at net realisable value	1	4
CLOSING BALANCE	267	254

NOTE 17. ACCOUNTS RECEIVABLE

Detailed schedule for accounts receivable	Group		Parent Company	
	2015 31 Dec.	2014 31 Dec.	2015 31 Dec.	2014 31 Dec.
Accounts receivable, gross	194	176	–	–
Provision for doubtful accounts receivable	-4	-4	–	–
ACCOUNTS RECEIVABLE, NET	190	172	–	–

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

	Group		Parent Company	
	2015 31 Dec.	2014 31 Dec.	2015 31 Dec.	2014 31 Dec.
Opening balance	-4	-3	–	–
Provision for doubtful receivables	–	-1	–	–
Receivables written off during the year as uncollectable	–	–	–	–
Closing balance	-4	-4	–	–

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.

Rottneros considers that the Group has a good diversification of commercial risk with over 100 customers, of which the ten largest together represent approximately 50 per cent of turnover. The Company has long-term relationships with its customers and credit losses have historically been low. Rottneros assesses the creditworthiness of outstanding receivables to be good. On 31 December 2015, 97 (92) per cent of total accounts receivable were covered by credit insurance.

Accounts receivable amounting to SEK 21 (30) million were due as of 31 December 2015, 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	
	2015 31 Dec.	2014 31 Dec.	2015 31 Dec.	2014 31 Dec.
Accounts receivable that are not due	169	142	–	–
Less than 3 months from due date	16	25	–	–
3 to 9 months from due date	1	5	–	–
9 to 12 months from due date	4	–	–	–
More than 12 months from due date	–	–	–	–
Total	190	172	–	–

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

	Group		Parent Company	
	2015 31 Dec.	2014 31 Dec.	2015 31 Dec.	2014 31 Dec.
SEK	36	20	–	–
USD	91	104	–	–
EUR	63	47	–	–
Other currencies	–	1	–	–
Closing balance	190	172	–	–

NOTE 18. OTHER CURRENT RECEIVABLES

	Group		Parent Company	
	2015 31 Dec.	2014 31 Dec.	2015 31 Dec.	2014 31 Dec.
Receivables from Group companies	–	–	655	629
Other receivables	35	23	–	–
Prepaid expenses and accrued income	14	27	0	1
Closing balance	49	50	655	630

Detailed schedule for prepaid expenses and accrued income

	Group		Parent Company	
	2015 31 Dec.	2014 31 Dec.	2015 31 Dec.	2014 31 Dec.
Prepaid insurance premiums	5	4	0	–
Accrued income from hedging	2	–	0	–
Prepaid expenses	6	11	–	1
Other accrued income	1	12	–	–
Closing balance	14	27	0	1

NOTE 19. CASH AND CASH EQUIVALENTS

	Group		Parent Company	
	2015 31 Dec.	2014 31 Dec.	2015 31 Dec.	2014 31 Dec.
Cash and bank balances	169	89	166	72

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

NOTE 20. SHAREHOLDERS' EQUITY

Share capital and number of shares

Group and parent company	Number of shares ¹	Share capital
As of 31 December 2015	152,571,925	153
As of 31 December 2014	152,571,925	153

¹ Excluding the parent company's holding of treasury shares.

Average number of shares outstanding, 2015	152,571,925
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 total nominal value of SEK 822 thousand.

SHARE-RELATED INCENTIVE PROGRAMME

There were no share-related incentive programmes for the Group as of 31 December 2014 and 31 December 2015.

DIVIDEND

On 20 April 2015 the Annual General Meeting approved an ordinary dividend of SEK 0.20 and an extra dividend of SEK 0.20 to be paid to shareholders for financial year 2014. A total dividend of SEK 61,028,770 was paid on 27 May 2015.

An Extraordinary General Meeting on 16 December 2015 approved an extraordinary dividend of SEK 0.40 to be paid to shareholders for financial year 2014. A dividend of SEK 61,028,770 was paid on 23 December 2015.

The Board of Directors will propose to the Annual General Meeting that a dividend of SEK 0.30 be paid for the financial year 2015.

NOTES

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 assesses its capital on the basis of its debt/equity ratio. This key ratio is defined as interest-bearing net receivables/liabilities divided by shareholders' equity.

The Group's debt/equity ratio was -0.2 (-0.1) on 31 December 2015.

Change in hedging reserve in the Group's equity	2015 31 Dec.	2014 31 Dec.
Opening balance	-8	-23
Cash flow hedging:		
– changes in fair value cash flow hedges	-32	-11
– tax on cash flow hedges	7	2
– transfers to income statement	9	30
– tax on transfers to income statement	-2	-6
Closing balance	-26	-8

NOTE 21. LONG-TERM LOANS

	Group		Parent Company	
	2015 31 Dec.	2014 31 Dec.	2015 31 Dec.	2014 31 Dec.
Loans at beginning of year	30	–	–	–
Borrowings during the year	–	30	–	–
Repayment of loans during the year	-30	–	–	–
Long-term loans at year-end	–	30	–	–

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

NOTE 22. GRANTED CREDIT FACILITIES

Granted but unutilised credit facilities amount to SEK 90 (90) million for the parent company and SEK 175 (145) million for the Group.

Utilised credit facilities	Group		Parent Company	
	2015 31 Dec.	2014 31 Dec.	2015 31 Dec.	2014 31 Dec.
Due within one year	–	–	–	–
Of which:				
Bank overdraft facilities	–	–	–	–
Due within five years	–	30	–	–
TOTAL	–	30	–	–

NOTE 23. OTHER NON-INTEREST-BEARING LIABILITIES

	Group		Parent Company	
	2015 31 Dec.	2014 31 Dec.	2015 31 Dec.	2014 31 Dec.
Liabilities to wholly owned subsidiaries	–	–	110	33
Other liabilities	17	12	0	–
Accrued expenses and deferred income	145	129	13	20
CLOSING BALANCE	162	141	123	53

Detailed schedule for accrued expenses and deferred income

	Group		Parent Company	
	2015 31 Dec.	2014 31 Dec.	2015 31 Dec.	2014 31 Dec.
Holiday pay liability	21	19	2	2
Social security contributions	14	10	1	1
Payroll liability	7	7	–	–
Raw material cost and input goods	41	45	–	–
Other non-invoiced goods and services	24	24	1	–
Other accrued expenses	24	17	7	16
Other deferred income	14	7	2	1
CLOSING BALANCE	145	129	13	20

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 PERIOD AND OTHER DISCLOSURES

On 12 January 2016 Vallvik Mill was granted a new environmental permit to produce 255,000 tonnes of sulphate pulp. The new permit ensures that Rottneros can continue to expand capacity as planned.

On 4 March 2016 the Company announced that Rottneros Mill will invest SEK 98 million in a new energy and emission-efficient biomass boiler. As a result the mill will be completely independent of fossil fuel. The investment will also enable Rottneros Mill to rebuild large parts of the energy system, which will significantly improve energy efficiency. The new biofuel boiler is expected to be completed and commissioned around mid-2017.

No other significant events occurred after the end of the financial year that would impact the Group's financial position and results of operations.

See the 'Opportunities and risks' section on pages 39 to 43 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 year 2015, except for the corporate governance statement on pages 44-48. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 37-72.

Responsibilities of the Board of Directors and the Chief Executive Officer for the annual accounts and consolidated accounts

The Board of Directors and the Chief Executive Officer 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 Chief Executive Officer, 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 2015 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 2015 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 44-48. 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 Chief Executive Officer of Rottneros AB (publ) for the year 2015. We have also conducted a statutory examination of the corporate governance statement.

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. The Board of Directors and the Chief Executive Officer are responsible for administration under the Companies Act, and that the corporate governance statement on pages 44-48 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 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's proposed appropriation of the profit or loss, we examined the Board's reasoned opinion as well as a selection of the evidence in order to assess whether the proposal complies 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 Chief Executive Officer 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 Chief Executive Officer 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 on 18 March 2016
Ernst & Young AB

Erik Sandström
Authorised 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 shares.
Independent of the Company and its management, but not independent of Arctic Paper S.A.

2 MARIE S. ARWIDSON

(1951) MBA.
Member of Board since 2015.
Chair of the Board of the Second AP fund. Member of the Royal Swedish Academy of Engineering Sciences (IVA).
Shareholding: None.
Independent of both the Company and its management and of the Company's largest shareholders.

3 ROGER ASSERSTÅHL

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

4 PER SKOGLUND

(1960) Degree in Chemistry, Chalmers.
Member of Board since 2014.
COO & Member of the Management Board, Arctic Paper S.A.
Shareholding: 10,000 shares.
Independent of the Company and its 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.

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.

7 GUN-MARIE NILSSON

(1960) Accounting Administrator at Rottneros Bruk AB.
Employee representative since 2013.
Shareholding: 57,000 shares.

8 TOMAS WASBERG

(1962) Operator at Vallviks Bruk AB.
Employee representative since 2009.
Shareholding: 485 shares.

AUDITORS

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

SENIOR EXECUTIVES



1 PER LUNDEEN

President and CEO since 2014.
(1955) M.Sc. (Engineering).
Managing Director of Vallviks Bruk AB.
Chair of Nilsbyn Invest AB and Strand Packaging AB.
Board member of Fiskeby Board AB and Packbridge AB.
Shareholding: 250,000 shares

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 shares.
Employed since 2004.

3 INGEMAR ELIASSON

Purchasing director.
(1956) M.Sc. (Forestry).
Deputy board member of VMF Qbera Economic Association.
Shareholding: 56,300 shares.
Employed since 1987.

4 KRISTER LINDGREN

Interim CFO.
(1956) MBA.
Shareholding: 50,000 shares.

5 RAGNAR LUNDBERG

Technical Director.
(1947) M.Sc. (Engineering).
Chair of JLR Pulping Systems AB.
Shareholding: None.
Employed since 2000.

THE ROTTNEROS SHARE 2015

The Rottneros share is listed on Nasdaq Stockholm. Rottneros had a market value of approximately SEK 1,250 (570) million and its share price was 8.15 (3.74) as of 31 December 2015.

The Rottneros share has been listed on Nasdaq 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 1,250 (570) million and the Company had 8,938 (6,620) shareholders at the end of 2015. Foreign shareholdings in Rottneros amounted to 60.1 (67.9) per cent of the capital. Rottneros' share price was 8.15 (3.74) as at 31 December 2015, a positive development of 118 per cent.

The Stockholm Stock Exchange, Nasdaq Stockholm, had a positive development of approximately 6.4 per cent (OMXSPI index) in 2015. The closing price of the Rottneros share peaked at SEK 9.90 on 1 December, while the lowest price of SEK 4.15 was recorded on 7 January.

THE SHARE'S TURNOVER

A total of 236 (38) million shares were traded in 2015 at a value of SEK 1,465 (120) million. This represents a turnover velocity for share stock of 154 (21) per cent last year. Total turnover velocity among companies in the Small Cap segment on the stock exchange in Stockholm was 108 (49) per cent, while the average for the Stockholm Stock Exchange as a whole was 72 (66) per cent. An average of 310 (42) 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

In all, an ordinary dividend of SEK 0.20 per share, an extra dividend of SEK 0.20 per share and an extraordinary dividend of SEK 0.40 per share were paid for the financial year 2014. The Board of Directors proposes a dividend of SEK 0.30 per share for the financial year 2015.

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.

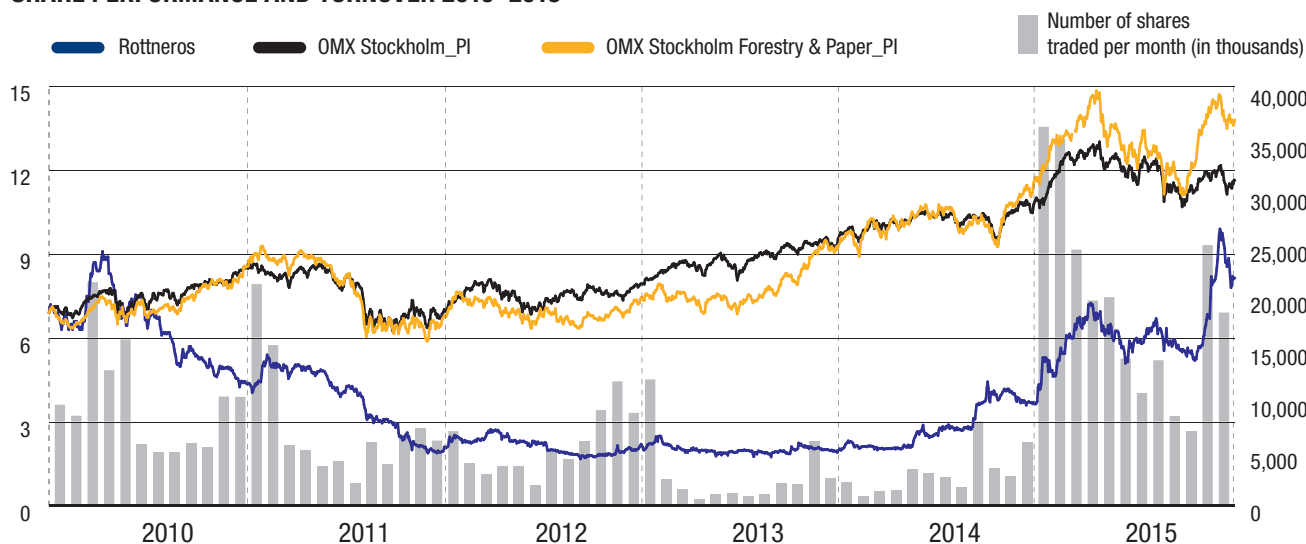
SHAREHOLDING OF DIRECTORS AND SENIOR EXECUTIVES

The personal holdings of directors, senior executives and their related parties amounted to 610,261 (407,669) shares in total in Rottneros AB as of 31 December 2015. No subscription warrants were issued as of 31 December 2015.

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. 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 2010–2015



Source: IXX Financial Information

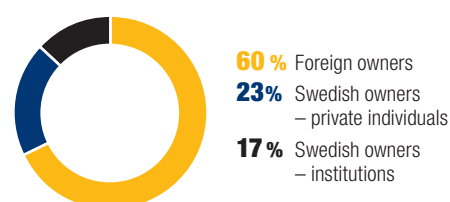
OWNERSHIP STRUCTURE AS OF 31 DEC 2015

Shareholders	Number of shares (= votes)	Per cent of capital
Arctic Paper S.A.	78,230,883	51.0
PROAD AB	7,605,235	5.0
Försäkringsbolaget Avanza Pension	4,488,112	2.9
Nordnet Pensionsförsäkring AB	2,113,961	1.4
Försäkrings AB Skandia	1,639,134	1.1
ALCUR	1,561,729	1.0
Deutsche Bank AG, London Branch, W-8BEN	1,509,996	1.0
Morgan Stanley & Co Intl Plc, W-8BEN	1,312,502	0.9
Schiller, Marcus	1,094,566	0.7
Scientia Fund Management AB	968,425	0.6
Total for ten largest owners – in terms of holding	100,524,543	65.6
Rottneros AB (treasury shares from buy-back)	821,965	0.5
Other shareholders	52,047,382	33.9
Total	153,393,890	100.0

SHAREHOLDER SPREAD AS OF 31 DEC. 2015

Number of shares	Number of shareholders	Per cent of capital
1–500	4,264	0.4%
501–1,000	1,250	0.7%
1,001–5,000	2,088	3.6%
5,001–10,000	597	3.1%
10,001–15,000	209	1.8%
15,001–20,000	131	1.6%
20,001–	399	88.9%
Total	8,938	100.0%

DISTRIBUTION OF OWNERSHIP BY CATEGORY

SHARE DATA¹

	Full-year	2015	2014	2013	2012	2011	2010
Shares, opening ²	Number	152,572	152,572	152,572	152,572	152,572	1,525,719
Shares issued ²	Number	–	–	–	–	–	–
Reverse share split ^{2,3}	Number	–	–	–	–	–	-1,373,147
Shares, closing ²	Number	152,572	152,572	152,572	152,572	152,572	152,572
Average number of shares ²	Number	152,572	152,572	152,572	152,572	152,572	152,572
Holdings of treasury shares ²	Number	822	822	822	822	822	822
Operating profit or loss/share	SEK	1.72	0.77	-1.01	0.04	-0.77	0.90
Profit/loss after tax per share	SEK	1.46	0.87	-1.04	-0.09	-0.95	0.82
Cash flow after investments/share ⁴	SEK	1.52	0.29	0.16	-0.07	-0.80	0.50
Equity per share	SEK	6.93	6.39	5.41	6.51	6.65	8.05
Dividend per share ⁵	SEK	0.30	0.80	–	–	0.10	0.20
Dividend/equity per share	%	4.3	12.5	–	–	1.5	2.5
Share price at end of period	SEK	8.15	3.74	1.99	2.00	2.11	4.37
Share price/equity per share	x	1.2	0.6	0.4	0.3	0.3	0.5
P/E ratio	x	5.6	4.3	Neg.	Neg.	Neg.	5.3
Dividend yield ⁶	%	3.7	21.4	–	–	4.7	4.6

¹ No key ratios were influenced by any dilution effect.

² The number of shares is in thousands and excluding Rottneros' treasury shares.

³ There was a reverse share split in April 2010 where ten existing shares were combined as one share.

⁴ Cash flow after normal investments, but excluding strategic investments and sales of fixed assets, divided by the number of shares.

⁵ Proposed dividend for 2015.

⁶ The calculation of dividend yield is based on the share price at year-end.

SIX-YEAR REVIEW

SIX-YEAR REVIEW

GROUP PERFORMANCE IN SUMMARY	2015	2014	2013	2012	2011	2010
KEY INDICATORS THAT AFFECT TURNOVER						
Pulp price, NBSK list price (USD) ¹⁾	857	925	857	814	960	930
USD/SEK ²⁾	8.44	6.86	6.51	6.78	6.50	7.21
Pulp price NBSK, SEK	7,285	6,345	5,582	5,519	6,229	6,705
Rottneros' deliveries, tonnes	372,200	344,200	332,100	331,400	311,400	330,300
TURNOVER AND INCOME, SEKm						
Net turnover	1,795	1,547	1,389	1,437	1,513	1,684
Profit/loss before depreciation/amortisation and impairment losses	321	177	-11	61	4	224
Depreciation/amortisation and impairment losses	-58	-59	-142	-55	-120	-86
Operating profit/loss	263	118	-154	6	-117	138
Net financial items	-4	-4	-4	0	-3	0
Profit/loss after net financial items	259	114	-158	6	-120	138
Profit/loss after tax	223	133	-158	-13	-144	125
BALANCE SHEET ITEMS, SEKm						
Fixed assets	706	691	706	809	841	867
Inventories	267	255	246	240	276	213
Current receivables	244	226	175	219	209	259
Cash and cash equivalents	169	89	35	26	21	155
Shareholders' equity	1,058	975	825	993	1,014	1,228
Long-term interest-bearing liabilities	-	30	0	0	6	10
Long-term non interest-bearing liabilities	18	9	13	15	11	0
Current interest-bearing liabilities	-	0	60	78	42	29
Current non interest-bearing liabilities	310	247	264	208	275	227
Balance sheet total	1,386	1,261	1,161	1,294	1,347	1,494
KEY RATIOS						
Operating margin, %	14.7	7.6	-11.1	0.4	-7.8	8.2
Profit margin, %	14.4	7.3	-11.4	0.4	-8.0	8.2
Return on capital employed, %	25.5	12.4	Neg.	0.1	Neg.	11.6
Return on equity, %	21.9	13.6	Neg.	Neg.	Neg.	10.8
Equity/assets ratio, %	76	77	71	77	75	82
Debt/equity ratio, times	-0.2	0.1	0.1	0.1	0.0	-0.1
Interest cover, times	53	29	Neg.	2	Neg.	26
OTHER						
Capital expenditure, SEKm	103	59	37	51	157	125
Average no. of employees	264	251	256	275	298	308

¹⁾ PIX price is the source for the NBSK list price.

²⁾ Source: The Riksbank's yearly average

QUARTERLY DATA FOR THE GROUP (SEK MILLION)

	2015				2014				2013			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net turnover	429	455	456	454	370	404	394	380	317	349	369	354
Profit/loss before depreciation/amortisation and impairment losses	18	95	90	118	28	67	45	35	-27	7	-1	10
Depreciation/amortisation and impairment losses	-15	-14	-14	-14	-15	-14	-14	-14	-15	-96	-15	-16
Operating profit/loss	3	81	76	104	13	53	31	21	-42	-90	-16	-6
Net financial items	-2	-1	-1	-1	0	-1	0	-1	-1	-1	-4	2
Profit/loss after financial items	1	80	75	103	13	52	31	20	-43	-91	-20	-4
Taxes	0	-18	6	-23	42	-11	-7	-4	0	0	0	0
Profit/loss for the year	1	62	81	80	55	41	24	16	-43	-91	-20	-4
Pulp production, 1,000 tonnes	89	95	96	94	83	89	88	85	79	78	88	88
Pulp deliveries, 1,000 tonnes	91	95	95	91	78	89	90	87	76	83	88	86
Pulp price, NBSK list price (USD) ¹⁾	820	846	855	907	932	929	924	916	894	861	851	823

¹⁾ PIX price is the source for the NBSK list price.

DEFINITIONS OF KEY RATIOS

EQUITY/ASSETS RATIO

Shareholders' equity as a percentage of the balance sheet total.

**INTEREST-BEARING
NET RECEIVABLES/LIABILITIES**

Cash and cash equivalents minus interest-bearing liabilities.

DEBT/EQUITY RATIO

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

OPERATING MARGIN

Operating profit/loss as a percentage of net turnover for the year.

PROFIT MARGIN

Profit/loss after net financial items as a percentage of net turnover for the year.

NET INCOME

Net income is the profit/loss after tax.

EARNINGS PER SHARE

Net income divided by the average number of shares.

RETURN ON CAPITAL EMPLOYED

Profit/loss 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

Profit/loss 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.

DIVIDEND YIELD

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

CASH FLOW BEFORE INVESTMENTS

Cash flow from operating activities.

CASH FLOW AFTER INVESTMENTS

Cash flow from operating activities less investments, but excluding strategic investments and sales of fixed assets.

GLOSSARY

AOX

Absorbable organic halogens.

MARKET PULP

Pulp sold on the market and transported to the customer. Market pulp accounts for about one third of pulp production worldwide. The remaining two thirds are produced at integrated paper and board mills, or used internally within a group.

BCTMP

Bleached Chemi-Thermo-Mechanical Pulp: bleached mechanical pulp where the raw material is impregnated with chemicals. Stronger than TMP. The term is common in North America and Asia (see CTMP).

BEK

Bleached Eucalyptus Kraft pulp.

BOD

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

BULK

Volume, inverted value for density expressed as cm³/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. The term is used in Europe for both bleached and unbleached pulp.

ECF

Elemental Chlorine Free. Sulphate pulp bleached using chlorine dioxide, instead of chlorine gas.

EPIS

European Pulp Industry Sector.

SCM UB

Timber measured under bark, used to measure raw timber.

HIGH-YIELD PULP

Groundwood pulp, TMP and CTMP/BCTMP.

CHEMICAL PULP

Paper pulp produced by boiling raw timber with chemicals. The pulp can be bleached to a higher brightness and a higher strength than mechanical pulp. Chemical pulp is usually sulphate pulp, but can also be sulphite pulp.

SHORT-FIBRE PULP

Pulp where the raw material is hardwood, which has shorter cellulose fibre than softwood.

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.

LONG-FIBRE PULP

Pulp where the raw material is softwood, which has longer cellulose fibre than hardwood.

MECHANICAL PULP

Pulp produced using a mechanical process for fibre separation and processing. Has a higher level of bulk, stiffness and opacity than chemical pulp. Groundwood pulp, TMP and CTMP/BCTMP are types of mechanical pulp.

NBSK

Northern Bleached Softwood Kraft: bleached long-fibre sulphate pulp. 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.

PIX

Price index published by FOEX.

GROUNDWOOD PULP (SGP)

Mechanical pulp made from groundwood.

SHIVES CONTENT

Proportion of unseparated fibres found in the pulp.

SULPHATE

Method for producing chemical pulp.

SULPHITE

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

TCF

Totally chlorine-free bleached sulphate pulp.

TMP

Thermo-Mechanical Pulp: mechanical pulp produced using a technique in which the chips are preheated with steam, but without chemicals.

UKP

Unbleached Kraft Pulp, unbleached sulphate pulp.

ULWC

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

GRAMMAGE

Weight of paper per surface unit, expressed as g/m².

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) will be held on Friday, 20 May 2016 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 Saturday, 14 May 2016, (please note that when the record date is a Saturday, shareholders must be registered in the register of shareholders already on Friday, May 13, 2016) and
- notify the Company of their intention to attend the AGM no later than Monday, 16 May 2016. The notification can be made via Rottneros' website, www.rottneros.com. Notification may also be made in writing to Rottneros AB, c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden, or by phone at +46 8 402 90 78. Please include in the notification your name and personal identity 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 Saturday, 14 May 2016, in order to be entitled to attend the AGM (please note that when the record date is a Saturday, shareholders must be registered in the register of shareholders already on Friday, May 13, 2016). The shareholder must inform the nominee in good time before this date.

PROXY

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 Euroclear Sweden AB at the above address no later than Monday, 16 May 2016. Proxy forms are available on the Company's website, www.rottneros.com.

ADDRESSES

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