



2020

ROTTNEROS ANNUAL REPORT

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ABOUT THE SUSTAINABILITY REPORT

Pages 34–55, constitute Rottneros statutory sustainability report. The report covers Rottneros AB and its subsidiaries during the financial year January 1, 2020 to December 31, 2020. The content is based on regularly updated analyses of significant issues for stakeholders. The Sustainability Report is reviewed by the Group's auditor and the opinion has been submitted on page 103.

PURE



POSSIBILITIES

The year resulted in production records despite the coronavirus pandemic

In 2020 we produced 412 600 tonnes, corresponding to a growth of 2 per cent and a new annual record. Our strategy of implementing early and extensive measures to keep the coronavirus away from our facilities has proven to be highly successful. Considering the challenges we encountered during the year, we are satisfied with the outcome.

Q1

NEW PRODUCTION RECORD

Production was 109,4 thousand tonnes, a new record for a single quarter. The balance sheet was strong, the equity/assets ratio was 54 per cent and available liquidity totalled 569 MSEK. Nykvist Skogs, which was acquired in the last quarter of 2019, was consolidated into the Group and strengthened the Group's ability to acquire raw materials through increased access to pulp wood from private forest owners.

Q3

ALL PRODUCED VOLUMES SOLD

The list price of market pulp had remained stable at a low level for an entire year. A weaker USD had a negative impact on earnings. Despite the turbulent market, Rottneros was able to sell the entire Group's production volume. Yet another quarterly record was set, 110,2 thousand tonnes.

Q2

UNCERTAINTY IN THE PULP MARKET

The pulp market was characterised by great uncertainty because of the coronavirus pandemic. The market in many niches declined, while sales of pulp for tissue surged. The AGM on 24 June resolved that no dividend would be paid for 2019 because of the great uncertainty in the economy. The financial position remained good with a high equity/assets ratio and a strong cash position.

Q4

LAUNCH OF FIBRE TRAYS

In October, our moulded fresh-fibre trays for ready-made meals were launched and sold in grocery stores in Sweden and other countries in Europe. Earnings for Rottneros AB came under pressure from a weak USD, continued low market prices and the annual maintenance shutdown at Vallvik Mill. The pulp market began to show positive signs with stronger demand and slowly rising prices towards the end of the quarter.

85

Cash flow from consolidated operating activities was 85 MSEK.

-42

EBIT for 2020 was -42 MSEK, strongly impacted by the global slowdown.

⬇️ -12%

2 093

MSEK NET TURNOVER

Net turnover declined 12 per cent, mainly because of lower pulp prices and a weak USD. Higher sales volumes of pulp and other products had a positive impact.

⬆️ 2%

412 600

TONNES PULP PRODUCTION

In 2020 Rottneros produced 412,6 thousand tonnes of pulp, which is a new production record for the Group and an increase of 2 per cent over the previous year.

⬆️ 1%

318

NUMBER OF EMPLOYEES

The Group has 318 motivated employees who primarily work at the Group's pulp mills in Vallvik and Rottneros.

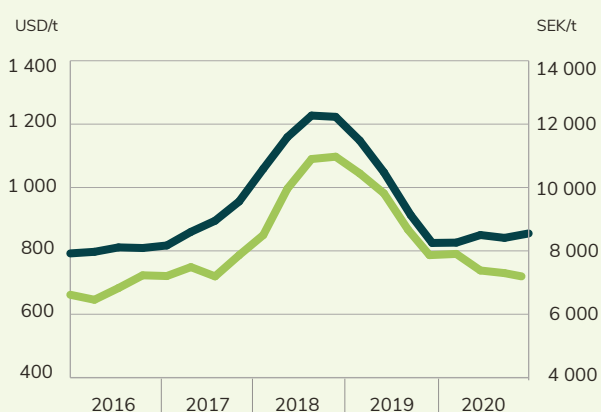
KEY RATIOS	2020	2019	Change, %
Net turnover	2 093	2 376	-12
EBITDA	77	374	-79
EBIT	-42	268	-116
Profit/loss after financial items	-61	247	-125
Net income	-50	194	-126
Earnings per share, SEK	-0,33	1.27	-126

17%

FEMALE EMPLOYEES

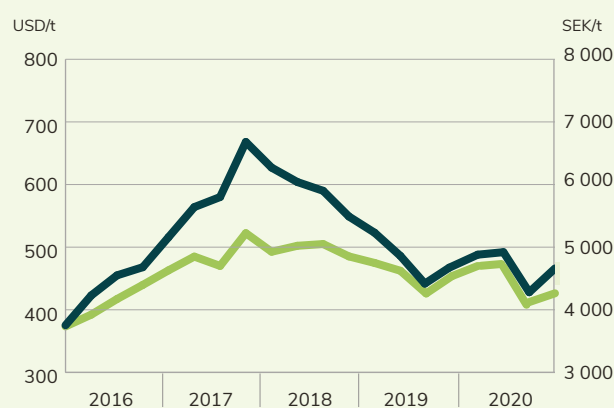
The proportion of women in the Group is 17 per cent, the same percentage as in 2019. The goal is for women to make up at least 30 per cent of employees by 2025.

PULP PRICES NBSK IN USD AND SEK



— Pulp prices NBSK Europe in USD per tonne
— Pulp prices NBSK Europe in SEK per tonne

PULP PRICES BCTMP IN USD AND SEK



— Pulp prices BCTMP China in USD per tonne
— Pulp prices BCTMP China in SEK per tonne

NBSK is proxy for "chemical pulp", BCTMP is proxy for "mechanical pulp".
Sources: NBSK Europe list price (FOEX), BCTMP China (Brian McClay), Exchange rate (Riksbank).

A turbulent year that demonstrates the importance of the forestry industry and our business for a sustainable transition

2020 was an eventful year characterised by the tumultuous consequences of the coronavirus pandemic. Meanwhile, Rottneros continued down the well-beaten path with higher production and increased deliveries, both of which reached record levels. However, the exceptionally weak global economy put pressure on earnings. Looking forward, we will continue with the development of Rottneros' strategic position as a leading niche player in the global pulp industry.

The past year has been extremely intense and eventful for Rottneros, both through the consequences of the pandemic and through our targeted efforts to grow the Group to the next level. Our focus on constant improvements and fine-tuning for increased production and efficiency continued at an unrelenting pace in 2020, despite the pandemic. Our dedicated employees, strong balance sheet and highly efficient facilities were key factors for dealing with the enormous challenges that we encountered. The results are clear, as shown by the gradual growth of our available volumes. In 2020 production increased by 2 per cent to a new record of 412 600 tonnes.

A SUSTAINABLE EMPLOYER

Employee safety always comes first. In 2020 we worked systematically to minimise the consequences of the pandemic and avoid the spread of infection among our employees. We have placed strong emphasis on the psychosocial aspects linked to the wellbeing of our employees during the pandemic. Read more about how we have dealt with the coronavirus pandemic on page 43.

To improve safety in the long term, we work with soft values such as our safety culture and behaviours. At the same time, successive investments are required to eliminate the risk of occupational accidents.

We succeeded in making a number of key appointments of talented and qualified employees with outstanding reputations during the year, an acknowledgement of the prominence of our brand in the labour market.

A CHALLENGING PULP MARKET

The pandemic pressured the pulp market in 2020. Europe was weak, while China and Asia strengthened after a weak first quarter, ending the year on a relatively strong note. The long-term trends were strengthened by the pandemic, with declining demand for pulp for graphic applications, while hygiene applications and packaging grew. In the long term this trend indicates that the market will likely become more stable. Rottneros benefits from growth in the hygiene and packaging areas, given that our products provide customers with measurable added value in these segments.

Two important megatrends will also benefit the industry in the long term: global growth of the middle class increases

the need for hygiene products and packaging, while increased environmental awareness in society in general drives demand for sustainable products that bind carbon dioxide and that can be easily recycled.

In the challenging market situation for long-fibre pulp, our marketing department succeeded in swiftly responding to the changes, thereby selling increased volumes compared with the previous year. As a result, deliveries increased by two per cent to 416 500 tonnes. Our broad product range gives us a competitive advantage on the market since we can swiftly move volumes between different customers and areas of application.

FAVOURABLE ACCESS TO RAW MATERIAL

The supply of pulp wood continued to be good in 2020. A lower production rate in the forestry industry, at the same time that the bark beetle problem boosted the supply of timber, benefitted the market balance and caused prices to fall. A good economy for the sawmills also contributed to a large supply of chips and, in the long run, pulp wood. The balance in the pulp wood market will likely remain favourable over the coming year.

As a result of the successful consolidation of Nykvist Skogs during the year, the Group achieved a more active position in the raw material market and access to wood from the large group of private forest owners has increased. This entailed clear advantages in the supply of raw materials.

ENVIRONMENTAL INVESTMENTS, HIGH ELECTRICITY PRICE

Within the framework of our sustainability management programme, we have continued our efforts to achieve maximum utilisation of all products generated by our production processes. The result is reduced energy use and minimised emissions. In early 2021 the Board approved a number of investments to reduce emissions to water from Vallvik Mill. The investments total 33 MSEK and are linked to the mill's recently updated environmental permit.

An array of investments were made in conjunction with the maintenance shutdown at Rottneros Mill to increase sustainability. One of these investments was the installation of a methane gas burner to achieve the goal of an essentially fossil-free production process. The methane gas generated in the new biological water treatment plant can now be used as a green source of energy in the mill's drying process.



Inadequate transmission capacity to southern Sweden has resulted in an electricity shortage. These major imbalances on the electricity market have entailed extremely high prices during certain periods, with an impact on our large electricity purchases for Rottneros Mill. Our electricity futures contracts were also negatively impacted.

BREAKTHROUGH FOR FIBRE TRAYS

Activity at Rottneros Packaging has been high in 2020, especially since demand for fibre-based trays achieved a clear breakthrough. The plant produced maximum volumes in response to strong demand from the market. One important consequence was also a well-stocked and growing pipeline of inquiries that usually provide new customers and projects in the long run.

LARGE GROWTH POTENTIAL IN OUR NICHES

In summary, we will continue to consolidate and expand our position in our selected market niches moving forward. There is great potential to expand into new geographic markets in certain niches, especially in areas where we already have a

presence in other segments, such as an increased focus on China and Asia. Our talented sales department, high-quality products and broad product range, along with our strong and well-recognised brands, provide us with an excellent point of departure for continued growth.

Meanwhile, we will continue to work on safety while focusing on increased production and efficiency through systematic working methods in our facilities.

TOGETHER WE MAKE A DIFFERENCE

Last but not least, I would like to thank all of my colleagues for their incredible contributions over the past year. I would also like to extend a warm thank you to our customers and suppliers. Together, we have optimally accomplished what has been possible to address the major challenges of the pandemic and thereby keep the business running smoothly. Together, we make a difference.

Lennart Eberleh
CEO and President

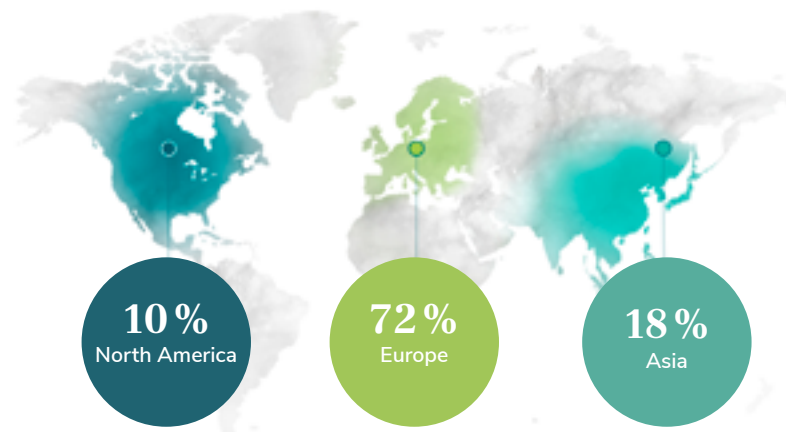
Independent and sustainable producer of customised market pulp

Rottneros refines pulp wood into high-quality pulp at two mills.

We offer one of the broadest product ranges on the global market and provide customers with clear added value that contributes to sustained profitability over time.

The Group is also active in the fast-growing segment of fibre-based food trays.

Geographical distribution of turnover



Vision

Always make a difference



Business idea

Guided by curiosity and experience, we offer products and services in close cooperation with our customers.



Our values

We get involved
We respect everyone
We are professionals



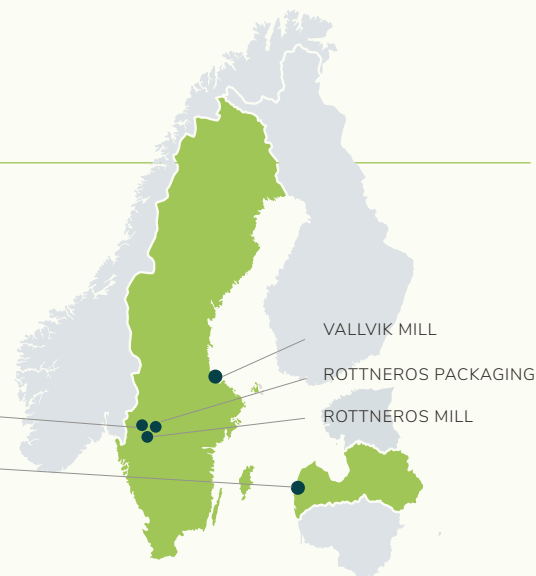
Our units



Raw material
from sustainable
forestry



NYKVIST SKOGS
SIA ROTTNEROS
BALTIC



Our products

VALLVIK MILL - CHEMICAL PULP



ROTTNEROS MILL - MECHANICAL PULP

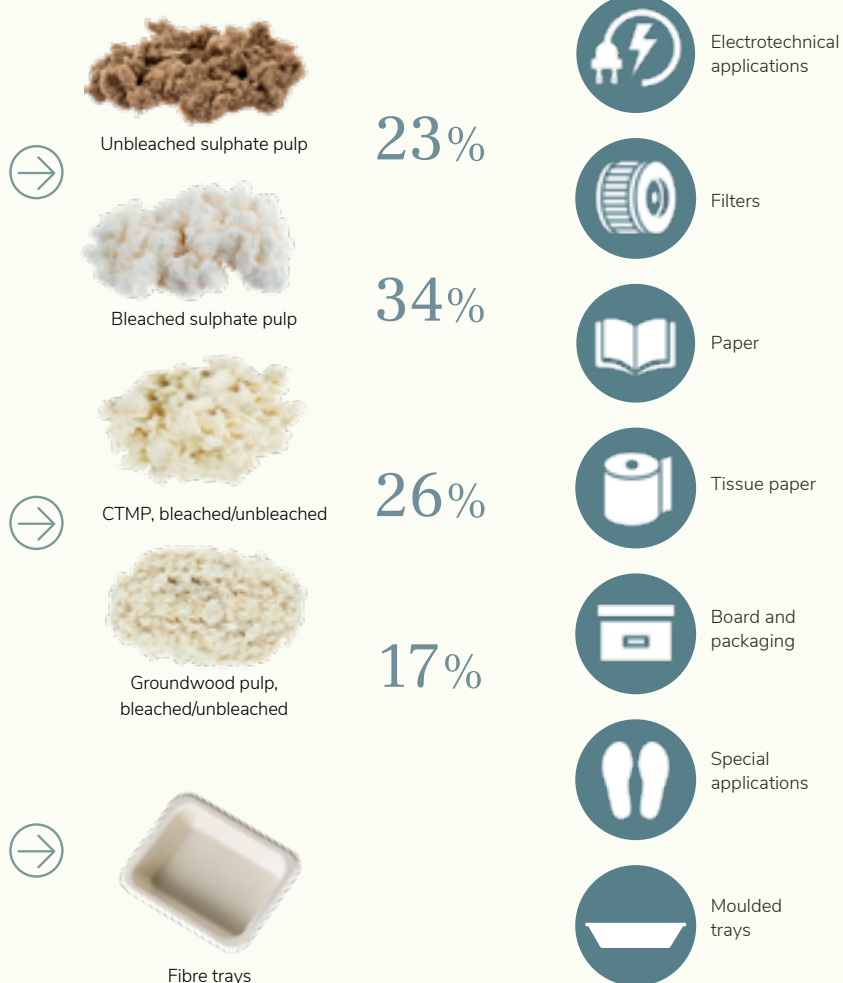


ROTTNEROS PACKAGING - FIBRE TRAYS



DELIVERY VOLUME BREAKDOWN

AREAS OF APPLICATION



Megatrends that affect Rottneros

1

LONG-TERM ECONOMIC GROWTH

Industrial expansion and the gradually improving living standard are fundamental driving forces behind the growing use of pulp around the world, with an emphasis on the rapidly expanding emerging economies.

2

GROWING NEED FOR TISSUE PAPER

As living standards rise in emerging markets, private consumption is also increasing, including consumption of hygiene products. Tissue paper is the area of application that currently demonstrates the fastest growth and accounts for approximately 40 per cent of market pulp consumption worldwide.

3

DIGITALISATION

Digitalisation is shifting the market structure and has had an even greater impact in due to the coronavirus pandemic. The trend is moving away from pulp for graphic paper towards pulp for other applications such as packaging, tissue paper and specialty paper.

4

GEOGRAPHIC SHIFT

Over the past five years, demand for market pulp has grown by about 2 per cent annually, and of this increase Asia accounts for 90 per cent. As a result, the rapidly growing markets in Asia are becoming increasingly important for the sale of our products.

5

GROWING DEMAND FOR SUSTAINABLE PACKAGING

Many studies show the advantage of board as a fossil-free and sustainable packaging material. Rottneros is active in this transition through its focus on pulp for board and its own tray production.



Hygiene products and packaging drive long-term growth

The pulp market is cyclical, at the same time that it is growing as a result of rising demand for hygiene products and packaging in the rapidly growing countries in Asia and South America. In 2020 the coronavirus pandemic had clearly negative consequences, especially for printing and writing paper, with reduced demand as a result. However, this was offset by strong growth for hygiene and packaging products. As a result, the global market grew by almost two per cent.

The Rottneros Group is an independent and flexible niche producer of both chemical and mechanical pulp. Sales are global with a focus on Europe. Significant volumes also go to Asia and the US.

The pulp market is global and is growing structurally. At the same time, it is cyclical. Demand in the short and medium term is affected by factors such as the global economy.

STABLE GROWTH

In 2020 the coronavirus pandemic had a major impact on the market, with reduced demand especially for printing and writing paper, at the same time that demand strengthened for hygiene and packaging products. The market in China clearly grew. North America also saw growth with increased demand for tissue, while demand in Europe decreased. Demand was also robust in other key customer segments for Rottneros, especially filters, packaging and electrotechnical applications. The market grew a total of about two per cent during the year, to almost 76 million tonnes.

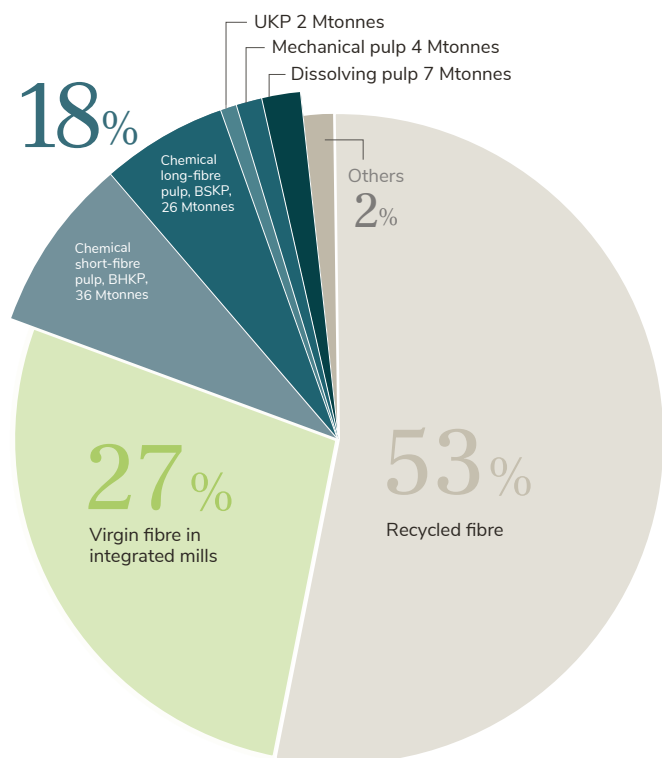
In the long term, the market will continue to show stable growth in response to the gradually growing need for hygiene and packaging products in the rapidly expanding economies in Asia and Latin America. Wood fibre-based products will also grow in areas where plastic still dominates because of the gradual increase in environmental awareness in society.

CHINA SUPPORT FOR PRICE TREND

The list price of NBSK was relatively stable at around 840 USD in 2020, which was a low level and an unusually long period with small price movements. The fact that high-cost producers had weak profitability, even taking only variable costs into account, meant that supply was held back, which supported higher prices towards the end of the year. Demand in China picked up, after a weak start to the year because of the pandemic, which also benefited the market balance.

VIRGIN FIBRE ACCOUNTS FOR HALF OF THE NEED

Globally, the use of cellulose fibre for paper, board, textiles and hygiene products amounts to just over 410 million tonnes per year. Just over half of this consists of recycled fibre. The remainder mainly consists of pulp made from virgin fibre, based



The global consumption of cellulose fibre is about 410 Mtonnes/year. 53 per cent is recycled fibre and the remaining part is virgin fibre. 18 per cent is market pulp produced in unintegrated mills, the area in which Rottneros is active.

on either soft wood or hard wood. This part amounts to about 187 million tonnes annually, of which just over 60 per cent is produced by integrated paper and board mills. The remainder, around 76 million tonnes, consists of market pulp that is sold on the market. It is dominated by chemical pulp, nearly 40 per cent of which is long-fibre pulp made from softwood. The proportion of mechanical pulp is relatively modest, approximately six per cent or about 4 million tonnes.

Market pulp is used for production of tissue paper and other hygiene products, graphic paper, board, packaging paper and various types of specialty applications, as well as for other areas.

GLOBAL MARKET PULP CONSUMPTION

Europe, which is Rottneros' main market, consumes about 18 million tonnes annually, corresponding to about 25 per cent of global consumption of market pulp. In 2020, the global market grew mainly thanks to increased deliveries to China. Consumption of long-fibre chemical pulp dropped by 6 per cent.

More than half of all market pulp worldwide, about 35 million tonnes, is consumed in Asia. Deliveries to the region continued to grow in 2020. The North American market, which is dominated by hygiene products and specialty paper, amounts to about 8 million tonnes, and showed an increase during the year.

LONG-TERM DRIVERS

Global demand for market pulp has increased by about 2 per cent annually over the past five years, though this growth has been unevenly distributed among markets and regions.

The mature industrial countries in the west show stagnant or weakening demand, while consumption mainly in the Asian emerging markets is surging. The strong industrial expansion and gradually improving living standard are fundamental driving forces behind the growing use of pulp in these countries. Asia has thereby accounted for about 90 per cent of the global increase in consumption of market pulp over the past five years. At over 25 million tonnes, China is the world's largest buyer of market pulp and the country has increased its share of the global market from over 25 to almost 40 per cent since 2010.

DIGITALISATION DRIVES MARKET STRUCTURE CHANGES

Digitalisation is causing a gradual shift in the structure of the market. The trend is moving away from graphic paper towards pulp for tissue paper, packaging and specialty paper in pace with the rising standard of living in the emerging countries. In 2020, this trend accelerated as a result of the pandemic, since digital media benefitted at the expense of print, while demand for hygiene products increased.

The single application that has shown the fastest growth is tissue paper and hygiene products. This area currently accounts for more than 40 per cent of consumption of market pulp worldwide. As living standards rise in the emerging markets, private consumption is also increasing, including consumption of hygiene products.

Demand for tissue paper is high and stable on the mature markets, and strongly increasing in the emerging markets. China is the world's largest tissue market, followed by the US. Tissue is mainly produced in non-integrated paper mills and the expansion is largely based on market pulp.

TRANSITION FROM GRAPHIC PAPER

For a long time, graphic paper was the predominant application for market pulp. Ten years ago, more than 40 per cent of the world's market pulp was used in its production. Digitalisation of media has entailed major restructuring initiatives and adaptation of production to gradually declining demand. This trend was accentuated in 2020 through the effects of the pandemic.

Nevertheless, graphic paper is still a significant application, although its share of the global need for market pulp has fallen to about 20 per cent. For pulp producers, this trend means continued readjustments to other customer segments and product niches in the coming years.

MARKET PULP

Pulp that is sold mainly to paper or board producers without pulp mills of their own, but also to integrated mills when their own pulp production is insufficient.

INTEGRATED MILL

produces its own pulp for its production of board and paper.

NON-INTEGRATED PULP MILL

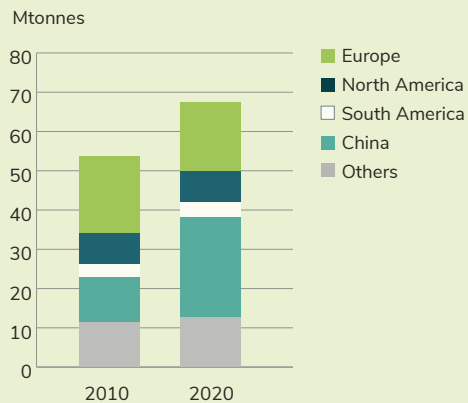
sells its pulp on the market for further production.

Asia has accounted for 90 per cent of the global increase in consumption of market pulp over the past five years. Tissue and hygiene products are growing end uses.

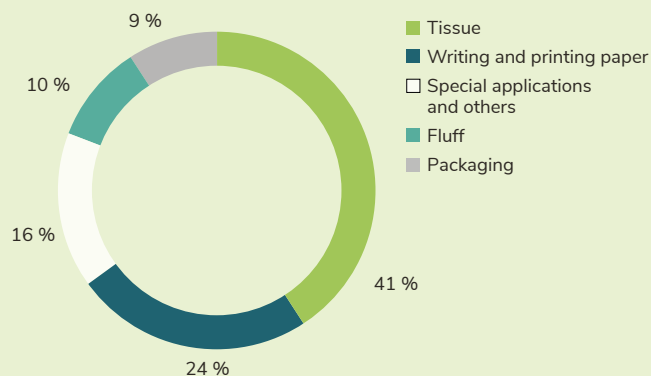


Maret pulp

CONSUMPTION BY GEOGRAPHIC MARKET

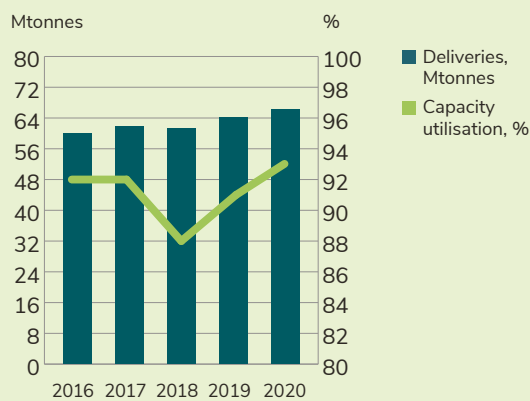


CONSUMPTION BY APPLICATION

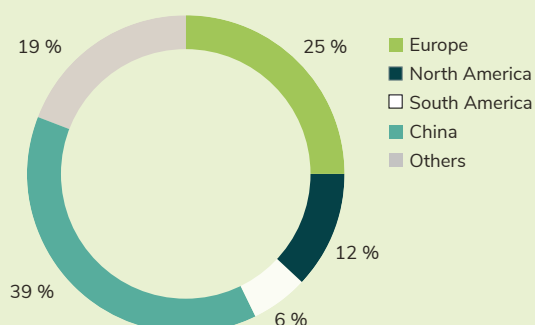


Chemical market pulp

DELIVERIES AND CAPACITY UTILISATION

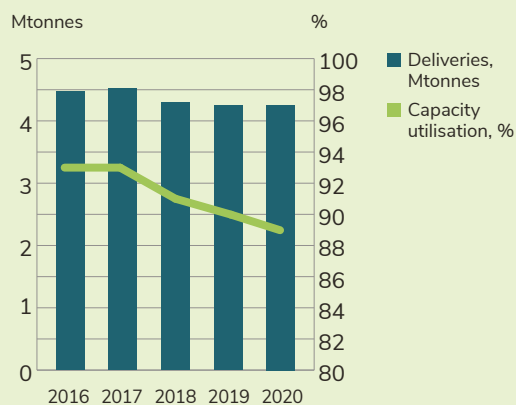


DISTRIBUTION BY GEOGRAPHIC MARKET

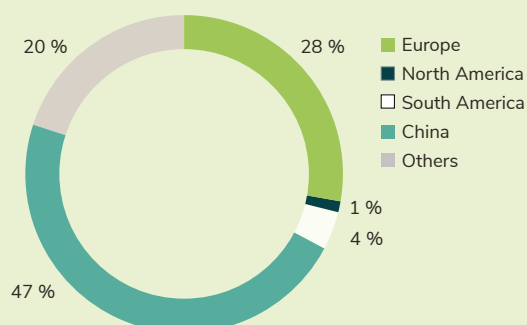


Mechanical market pulp

DELIVERIES AND CAPACITY UTILISATION



DISTRIBUTION BY GEOGRAPHIC MARKET



ROTTNEROS DEVELOPS SELECTED NICHES

Rottneros' strategy focuses on market leadership in selected niches with the long-term objective of increasing the proportion of sales to end products that show good market growth and profitability. The Group will achieve this objective by developing both existing and completely new niches, mainly by focusing on the growth area board, as well as on those particular niches where the Group's high quality pulps meet the high standards of customers.

The Group aims to leverage its expertise, in terms of both technology and production, to establish and advance its strong market position within these selected niches. A close relationship with customers and a solid understanding of their needs and operations will be required to accomplish this objective. However, graphic paper will continue to be an important customer segment because of its size.

ROTTNEROS PRODUCTS ON THE MARKET

The Group produces pure or extremely pure pulps with properties that meet high standards in certain niche areas. The Group's pulp is used for example for the production of filters for various purposes. E-pulp is another important product that is excellent for electrical insulation in transformers and high voltage cables for underwater use. The continued industrialisation of Asia and Latin America will help to boost demand moving forward, as should the expansion and modernisation of power grids in Europe and the US.

The company also has a strong position in a third and larger market segment, pulp for board manufacturing.

The Group's pulp provides added value for the customers by improving bending stiffness and printability, which are important properties for board.

The high quality of Rottneros' pulp makes it well-suited for board products used for food and beverages, which provides an advantage in the market. For board to be used in this segment it is a prerequisite that it does not affect the taste or odour of the packaged product. The unbleached sulphate pulp produced in Vallvik Mill is ideally suited for the growing brown liquid packaging board segment. The mill's large washing capacity makes it possible to produce a very pure unbleached pulp that gives Rottneros an advantage over competitors and a strong market position.

The long-term fibre tray initiative at Rottneros Packaging is also a good fit in the company's overarching focus on segments that grow where the Group has competitive advantages. Rottneros' extensive experience of fibre trays for foods and strong expertise in mechanical pulp, the main raw material in the trays, are key competitive advantages.

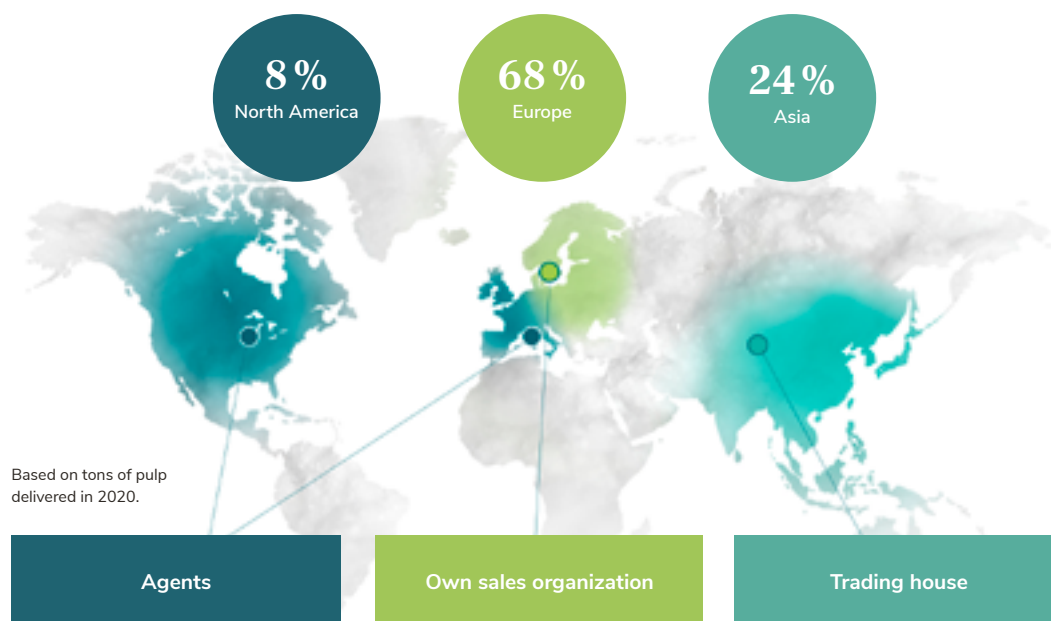
Groundwood pulp from Rottneros Mill represents a competitive alternative within the "thin printing paper" market segment, particularly where there are high requirements for opacity (paper that is not transparent), as well as for tissue paper and board.

STRONG IN EUROPE

The majority of Rottneros' sales, around 70 per cent, take place in Europe. In recent years Rottneros has strengthened its sales organisation in this region in an effort to be closer to customers and to offer better service.

The non-European markets account for about one third of sales of the Rottneros Group, mainly comprising mechanical and chemical pulp for Asia, as well as chemical pulp for the northeastern US. Despite strong domestic production in North America, there is a clear need for the niche specialty pulps that Rottneros delivers.

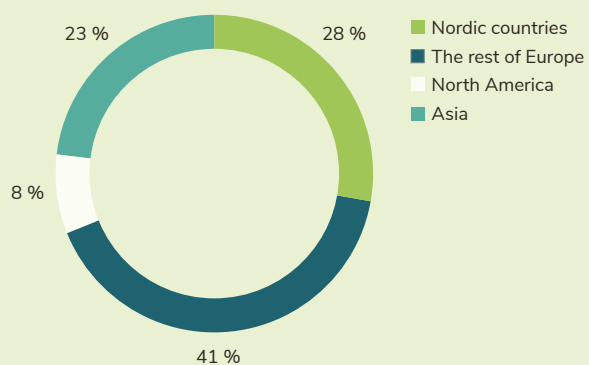
Rottneros' global deliveries and sales organization



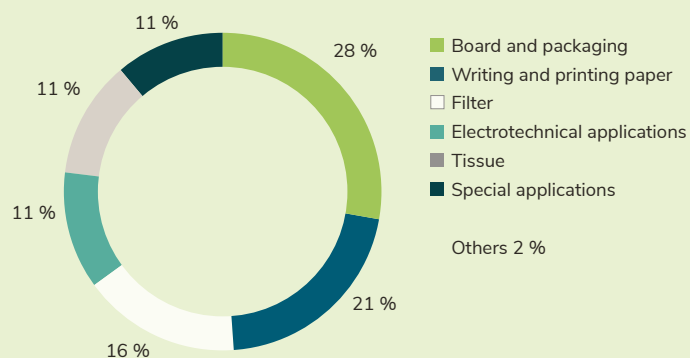


Rottneros' deliveries of market pulp

PER MARKET
A TOTAL OF 417 000 TONS,



PER APPLICATION
A TOTAL OF 417 000 TONS,



Responsible development with a focus on safety, sustainability, productivity and niches

The safety of our employees is always our top priority, followed by a high and consistent production and pulp quality, as well as a first-class level of service to our customers.

We are constantly working to develop new products and applications for both current and new customer groups in niches that grow. Operations are run responsibly towards our financial, environmental and socially sustainable goals.

Summary of the Rottneros Group's strategies

PURCHASING OF RAW MATERIALS

Our products are made of raw materials from the forest. Chemicals, water and electricity are also required.



RELIABLE SUPPLY OF RAW MATERIALS

The Group does not have any forest of its own and mainly finds its raw materials in the local timber market around each mill. The suppliers are traceability-certified, which guarantees that the wood does not come from controversial sources.

PRODUCTION

Two specialised pulp mills:
Vallvik Mill, chemical pulp,
Rottneros Mill, mechanical pulp,

Production of fibre trays:
Rottneros Packaging



SAFETY AND EFFICIENCY

Rottneros has a zero vision approach regarding personal injuries. It permeates the entire operation and we apply a structured and targeted approach to avoid workplace accidents.

Efficiency and productivity are critical for creating both short-term and long-term profitability. Through constant improvements, production is gradually increased through higher availability and capacity. The focus is on safety, sustainability, preventive maintenance, orderliness, continuous optimisation of procedures and removal of bottlenecks.

DEVELOP TYPES OF PULP

Develop pulp for selected niches, increase the share of sales that goes to end products with clear market growth and position both mills with a high proportion of specialised customers. This is achieved by combining the products and specialised expertise of both mills with consistent monitoring of external factors and close collaboration with customers.

BROADEN THE OFFERING

Increase the proportion of revenue that does not derive from pulp sales.

PRODUCTS WITH MANY APPLICATIONS

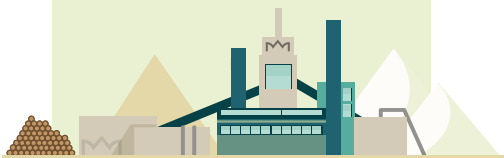
Rottneros offers one of the broadest ranges of pulp products in the world, which leads to a large number of end products that contain our pulp.



EFFICIENT DISTRIBUTION

HIGH STANDARD OF SERVICE

EXPANSION INTO RELATED SEGMENTS



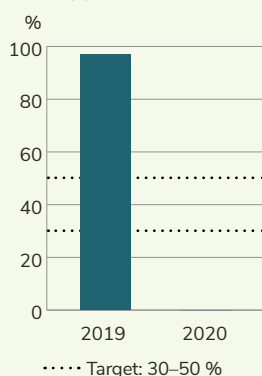
Goals and outcomes

Below is a presentation of the long-term targets for profitability and social sustainability. In 2020, the Board of Directors at Rottneros also adopted long-term environmental targets, which are presented in the sustainability report on pages 41 and 50-53.

Targets and outcomes are presented on pages 41 and 46-47.

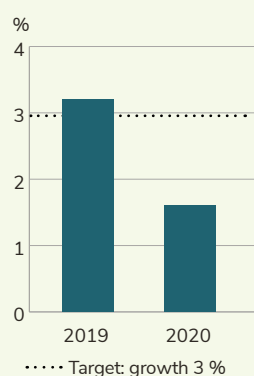
Financial targets

DISTRIBUTION OF NET INCOME*



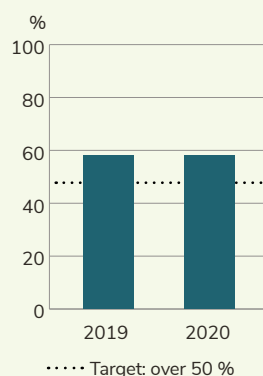
Because of the uncertainty related to the effects of the coronavirus pandemic on the global economy, the 2020 Annual General Meeting resolved that no dividend would be paid.

PULP PRODUCTION/YEAR, GROWTH



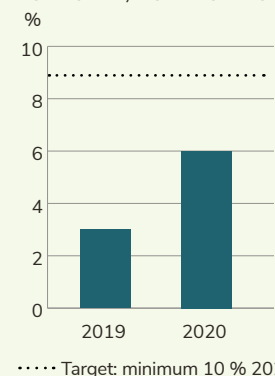
Thanks to continuous improvements of routines and procedures, availability increased at the pulp mills. Production is gradually increasing.

EQUITY/ASSETS RATIO



The equity/assets ratio continues to be good, which is reassuring during a turbulent year.

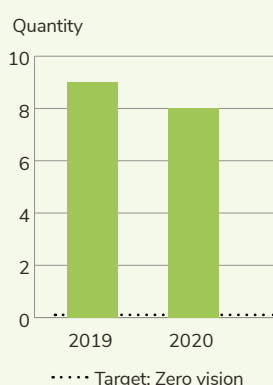
PROPORTION OF NET TURNOVER, NOT FROM PULP



The addition of Nykvist Skogs increased the sales of pulp wood and timber. Sales of products other than pulp accounted for 6 per cent of net turnover.

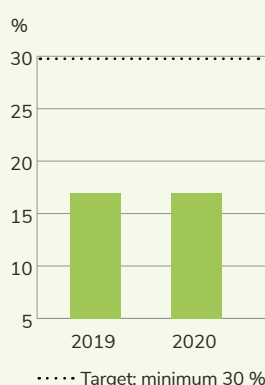
Social sustainability targets

ACCIDENTS WITH ABSENCE



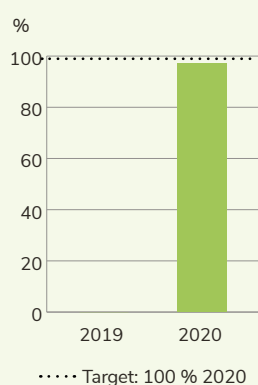
Despite the increased focus on safety, 8 accidents with absence occurred during the year. Read more about our safety initiatives on pages 42-43.

PROPORTION OF FEMALE EMPLOYEES



The proportion remained unchanged at 17 per cent, the same level as 2019. Staff turnover among female employees has been higher than among male employees. The reason for this is being analysed and corrective measures will be formulated to make Rottneros a more attractive employer for women.

TRAINING IN ROTTNEROS CODE OF CONDUCT



The Code of Conduct is the most important policy at Rottneros. Our target was for all employees to have completed the web-based training programme in 2020; 97 per cent had done so by year-end.

The good supply of raw materials benefited the price trend

The supply of raw materials continued to be good in 2020, resulting in lower prices. The balance on the market is expected to be favourable for the upcoming year. The Rottneros strategy is to have a small and efficient organisation to procure pulp wood. The raw material is mainly obtained in the pulp wood market found around each mill. Traceability-certified wood guarantees that the raw material used does not have a controversial origin.

THE GROUP'S RAW MATERIAL PROCUREMENT

Rottneros does not have any forest of its own, but it has its own organisation to source pulp wood in Sweden through Nykvist Skogs AB, as well as a wood procurement company in Latvia, SIA Rottneros Baltic.

Wood is purchased in the form of pulp wood from forestry, or as woodchips from different sawmills. While Rottneros Mill has more suppliers in relative terms, Vallvik Mill has fewer but larger suppliers. The state-owned Sveaskog and the forestry owners' association Mellanskog are the largest suppliers.

In addition, a certain volume is imported for increased flexibility in the supply of raw materials, typically about 15 per cent in a normal year.

Rottneros' costs for raw materials decreased in 2020 compared with the previous year. The total cost of pulp wood was 800 MSEK for 2020, corresponding to about 40 per cent of the Group's expenses.

NYKVIST SKOGS STRENGTHENS PULP WOOD SUPPLY

The timber company Nykvist Skogs AB was consolidated in the Rottneros Group on 1 January 2020. Through this acquisition the Group further strengthened its ability to procure pulp wood as access to raw material from the group of private forest owners will increase in the long term. This group accounts for about half of all forest ownership in Sweden.

Nykvist Skogs is operated as an independent subsidiary in the Group to ensure the continued development of the business. The aim is continued expansion and to gradually grow the flow of timber that is managed. Through this approach the volumes that go to production at Rottneros will gradually increase.

THE GROUP'S TIMBER IMPORTS

SIA Rottneros Baltic is a strategic component of the raw material organisation and plays a major role when domestic suppliers have problems meeting their obligations, for example due to unfavourable weather conditions. This was the case in 2018 when Rottneros could substantially increase imports of raw materials to offset the shortage of volumes from Swedish suppliers. Woodchips imported from Latvian sawmills comprise most of the Group's imports and primarily go to Vallvik Mill, which has its own harbour. Imports to Rottneros Mill come from nearby areas in Norway.

GOOD BALANCE IN PULP WOOD MARKET

The raw material balance is primarily affected by the forest owners' interest in harvesting and selling their wood, the price of pulp wood and sawn timber, competitive conditions and consumption by industry. Since chips from sawmills comprise a substantial portion of our raw materials, the economy and production at the sawmills are important. The inflow of raw materials from Norway to Sweden benefits the Swedish timber balance.

The supply of pulp wood continued to be good in 2020.

A lower production rate in the forestry industry, mainly due to the pandemic, at the same time that the bark beetle problem boosted the supply of timber, benefitted the market balance, causing prices to fall.

A good economy for the sawmills also contributed to a strong supply of chips and, in the long run, also pulp wood. Taken together, these factors were also favourable for the balance between the local wood supply and imports. Imports accounted for 15 per cent of the need for raw material and are expected to decline somewhat in 2021. In other words, the balance in the pulp wood market is expected to remain favourable over the coming year.

WAREHOUSING AND CONSUMPTION

The Group used a total of more than 1.5 million cubic metres of pulp wood and chips in 2020. The objective is for each mill to maintain an inventory of raw material to cover two to three weeks of production, with certain exceptions.

Parts of the raw materials are traded with other industries in an effort to reduce transportation distances, which entails both environmental and financial savings. Seasonal variations, pricing and weather conditions affect the flow of wood supplies. Good communication and long-term relationships with suppliers are necessary to ensure stock levels and the supply of raw material to the mills.

TRACEABILITY

The Rottneros Group has a strong focus on sustainability and is traceability-certified according to two systems: FSC® (Forest Stewardship Council) and PEFC™ (Programme for the Endorsement of Forest Certification). The traceability certifications guarantee that there is nothing controversial about the origin of the wood used (e.g., illegal felling or timber from key biotopes), and that it can be traced back in the supply chain. Demand for certified pulp is gradually growing.



HIGH PRICE OF ELECTRICITY THROUGH THE YEAR

The Group's third largest external input is electricity. All external electricity for the mills, around 300 GWh/annum, is purchased directly at market price via the Nord Pool electricity exchange. Electricity purchases for Rottneros Mill were affected in 2020 by the pronounced price differences that occasionally arose between the price for area SE3 that the company pays and the system price, a theoretical price for the Nordic region due to the inadequate transmission capacity between the different parts of Sweden. Consequently, the price for Rottneros was extremely high during brief periods.

To achieve stable electricity costs, future prices are hedged according to an adopted strategy. By the end of 2020, Rottneros had hedged 100 per cent of electricity consumption for 2021, 91 per cent of electricity consumption for 2022, 86 per cent for 2023 and 57 per cent for 2024 and 2025.

DECLINING PRICES FOR CHEMICALS

The market prices of the chemicals that the Group uses for production fell in 2020. Rottneros endeavours to maintain a wide selection of suppliers to secure both its own production and competitive prices.

Traceability

The Rottneros Group has a strong focus on sustainability and is traceability-certified under the FSC® and PEFC™ systems.

Chemicals

A wide range of suppliers secures production and keeps costs down.

Electrical energy

To achieve stable electricity costs future prices are hedged according to an adopted strategy.



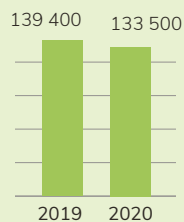


Vallvik Mill focuses on niches and high availability



White chemical pulp (ECF)

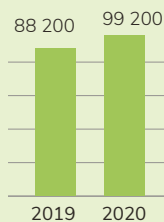
PRODUCTION, TONNES



Filter
Writing and printing paper
Board
Special applications

Brown chemical pulp (UKP)

PRODUCTION, TONNES



Filter
Board
Electrotechnical applications
Special applications



PRODUCTION AT VALLVIK MILL

Vallvik Mill, with 180 employees, has a production capacity of about 240,000 tonnes per year with the current product mix. In 2020 production totalled 232,800 tonnes, which meant an increase of 2.2 per cent and a new annual record. In general, production ran smoothly, with high daily production, indicating that the mill could potentially produce at the level of its calculated maximum production capacity.

In other respects, the year was characterised by successful efforts to cope with the extensive consequences of the coronavirus pandemic.

PRODUCTION PROCESS

Vallvik Mill uses the most common process to produce chemical pulp, the kraft process. The wood chips are heated together with white liquor in a digester, thereby releasing the wood fibres and separating the lignin from the wood fibres. The lignin becomes fuel for the mill's recovery boiler, which provides the energy needed in the process and starts the recycling of the cooking chemicals.

The pulp is washed and screened before it is bleached to the desired brightness. The pulp is then screened and dried before it is pressed into pulp bales.

PRODUCTS

Vallvik Mill produces bleached and unbleached chemical long-fibre sulphate pulp. The properties of the chemical long-fibre pulp primarily contribute to the strength of different end products, properties which originate from the slow-growing northern Scandinavian spruce and pine fibre that Rottneros uses. The bleached long-fibre sulphate pulp is generally called Northern Bleached Softwood Kraft (NBSK) on the market, which is a quality label for pulp and is used in official pulp price indices such as PIX. At Rottneros the long-fibre chemical sulphate pulp is marketed under the name of Robur Flash.

The pulp is dried in flash dryers, causing the fibres to have an open structure that provides the product with important properties in the production of absorbent products and filters.

RANGE OF APPLICATIONS

Both white (ECF) and brown (UKP) sulphate pulp are produced alternately in the same production line. ECF (Elemental Chlorine Free) is used for production of white or light-coloured paper, as well as board products, writing and printing paper, filters and specialty paper. UKP (Unbleached Kraft Pulp) is produced in various qualities, such as board for food



packaging and for electrotechnical applications, with high demands for purity and mechanical properties. Rottneros is a world-leading provider of E-pulp, an extremely well-washed and pure pulp that has been developed for 20 years to reach today's uniquely low conductivity. E-pulp is used for electrical insulation materials, such as condenser paper and winding insulation in transformers or high voltage cables placed on the bottom of the sea.

ENVIRONMENTAL IMPACT

Because the production process is designed as an advanced ecocycle, the environmental impact of the mill is extremely limited. Almost 100 per cent of the energy used is renewable and the level of self-sufficiency for electricity is very high. Thanks to the factory's recovery cycle, almost 100 per cent of the cooking chemicals are reused. Many of the parameters for emissions in 2020 have been the lowest ever.

INVESTMENTS

After a few years during which the investment rate was high between 2016 and 2018, 2020, like 2019, was characterised by a series of small investments focused on fine-tuning and further increasing availability in the mill.

99%

ENERGY

The production process allows 99 per cent of the energy used to be fossil-free.

174

EMPLOYEES

Of the 174 employees at Vallvik Mill, 15 per cent are women.

97%

CHEMICALS

In all, 97 per cent of the cooking chemicals used at Vallvik Mill are recovered.

83%

ELECTRICITY

Vallvik Mill produces 83 per cent of the electricity it uses.



Rottneros Mill is known for its high flexibility and sustainable production



PRODUCTION AT ROTTNEROS MILL

A total of around 100 people work at Rottneros Mill, which has a capacity of about 200,000 tonnes per year.

The annual maintenance shutdown was carried out as planned in May, after a careful risk assessment with respect to the coronavirus pandemic. Subsequently, two production records were broken for a single month for the entire mill and the CTMP line, in July and August, respectively. Rottneros Mill thereby achieved a new production record for the full year, 179 900 tonnes, an increase of almost one per cent over the previous year.

In 2020 the mill was assessed by EcoVadis, a leading evaluation system in the fields of the environment, labour conditions, corporate responsibility and ethics, as well as sustainable procurement. The mill ranked in the top quartile of the assessed operations. The year was characterised by efforts to deal with the coronavirus pandemic. At the same time, the planned optimisation and fine-tuning of equipment installed 2016-2018 continued.

PRODUCTION PROCESSES

The environmental impact of the production process for mechanical pulp is extremely low because of both a high yield from the raw material and low consumption of chemicals.

CTMP accounts for up to 95 per cent of the wood and groundwood pulp a full 98 per cent. At the same time, the energy-intensive process is vulnerable to variations in the price of electricity. To produce CTMP, first the wood is chipped and then pre-treated with chemicals at an elevated temperature before 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 logs, forcing them against special stone rollers. The wood is usually picked up from the immediate vicinity of Rottneros Mill, within a radius of about 100 kilometres.

BROAD PRODUCT PORTFOLIO

Rottneros consolidated its position as one of Europe's largest producers of mechanical market pulp during the year. There are two main types of pulp: CTMP (Chemi-Thermo-Mechanical Pulp) and groundwood pulp. The pulp is produced in two separate lines and is available in about 25 different versions of the product with different properties.

Rottneros product offering in mechanical pulp is the most complete on the world market and can be customised based on the needs and requests of the customer. The Group's explicit aim is to maintain a high level of innovation regarding new products.

CTMP and groundwood pulp are primarily used for production of board, writing and printing paper, filters and tissue paper.



-60%

FOSSIL FUELS

The use of fossil fuels has been reduced by 60 per cent in recent years.

106

EMPLOYEES

About 106 people currently work at Rottneros Mill, 21 per cent of whom are women.

-27%

CO₂ EMISSIONS

were 7 299 tonnes in 2020, a reduction of 2 690 tonnes or 27 per cent since the previous year.

98%

RAW MATERIAL UTILISATION

95-98 per cent of the wood supplied in production is fully utilised, depending on the production line.

Mechanical pulp for board is a segment with long-term market growth and is one of the areas in which Rottneros intends to continue to grow.

Board usually has a multilayer construction where CTMP is used in the middle layer for increased bulk and rigidity. The diversity of product variants for Rottneros CTMP makes it possible to optimise bulk in relation to other quality aspects.

High-yield pulp such as CTMP and groundwood pulp in tissue make positive contributions to important properties such as absorption and bulk. In some types of tissue, they can also improve both strength and softness. The Rottneros product portfolio also includes a specially designed CTMP for filter applications. The pulp, which is flash-dried, provides an open structure that meets the special needs of filter manufacturers. High bulk and porosity are important properties.

Groundwood pulp is an excellent choice for LWC paper and other thin printing papers because it provides high opacity and contributes to a smooth surface. Rottneros' groundwood pulp also has high purity, which is important for both production and the performance of thin paper.

INVESTMENTS IN METHANE GAS BURNER

An array of investments were made in conjunction with the maintenance shutdown in May to increase sustainability and to

gradually achieve higher production. One of these investments was a methane gas burner to achieve the goal of an essentially fossil-free production process. The methane gas generated as a by-product of the new biological water treatment plant can be used in the mill's drying process. In addition to reducing consumption of fossil fuels, the burner will also result in lower variable costs.

Other investments included a new refiner for lower electricity consumption. One of the main transformers was also replaced.

INVESTMENTS IN THE ENVIRONMENT AND SAFETY

The energy management system was also updated, after which it was certified to the ISO 50001 standard. A key component of this effort involved creating an energy management group to work proactively on energy-related issues. The group conducted an analysis to identify everything that causes electricity consumption in the plant, both large and small.

Safety and the environment are top priorities when investing. In recent years, the use of fossil fuels has declined by more than 60 per cent, mainly because of the investment in a new energy and emissions-efficient biomass boiler. Energy from the boiler is used to dry the pulp. The new boiler uses bark and chips as fuel.



An exciting and challenging year for Rottneros Packaging



PRODUCTION AT ROTTNEROS PACKAGING

Rottneros Packaging is the result of an investment in bio-based packaging and creates a third pillar within the Group for the longer term. Rottneros Packaging focuses on high quality food packaging with properties that meet extremely high demands. Such properties mainly concern purity, surface quality, traceability and barrier properties to achieve a long shelf life for foods. The packaging is also renewable and recyclable.

The plant is located in Sunne, about a kilometre from Rottneros Mill, which produces the CTMP pulp used to make the packaging.

FOOD PACKAGING AND MARKET

The natural area of use for the company's products is packaging for both hot and cold foods. The moulded trays reduce the use of plastic by about 85 per cent compared with equivalent plastic-based products, while meeting customer needs and demand for environmentally friendly high-quality packaging.

Through its strong expertise in the field, Rottneros is well equipped to take a leading position on the market where both regulatory requirements and growing consumer interest in new

sustainable alternatives to plastic are driving developments. The focus moving forward is to continue to develop the business together with customers and brand owners to meet the high demands of the market. At the same time, the business model is being developed to achieve faster capacity growth for the future.

Knowledge within Rottneros Packaging also increases the potential for the rest of the Group to customise pulp products for external tray producers.

BREAKTHROUGH FOR FIBRE TRAYS IN 2020

Demand for fibre-based trays achieved a clear breakthrough in 2020. The plant produced maximum volumes in response to strong pressure from the market. One important consequence of the strong interest was also a well-stocked and growing pipeline of inquiries that usually provide new customers and new projects in the long run.

In 2020, the Sunne factory expanded its wet moulding capacity. The installation coincided with the Covid-19 outbreak in Europe, which entailed greater challenges than usual. The machine greatly increased the capacity of the Sunne plant.



-85%

REDUCED USE OF PLASTIC

The airtight (MAP) ready-to-eat packaging reduces the proportion of fossil-based materials by 85 per cent, extends the shelf life of the food and thereby also reduces food waste.

-75%

REDUCED CLIMATE FOOTPRINT

Rottneros' fibre trays reduce the carbon footprint by up to 75 per cent compared with traditional fossil-based products.*

100%

QUALITY APPRVED FIBRES

100 % of the fibre raw material for Rottneros' food packaging consists of fresh fibre, which ensures that the product is free of harmful chemicals.

A fossil-free packaging solution, primarily intended for food, that is safe, lightweight and biodegradable. Briefly, Rottneros aims to have this fibre packaging offering serve as a third pillar for the Group in the long term.

EU INNOVATION PROJECT

Rottneros was the only Swedish industry partner that participated in the EU "Pulpacktion" innovation project. The purpose was to develop a completely renewable bio-based packaging solution at a competitive price in order to contribute to more sustainable development in the packaging industry. Rottneros was coordinator of the project, which after four years crossed the finish line in early 2021.

The project was within the framework of the EU's Horizon 2020 funding programme and provided a chance for Rottneros to work with companies and institutes throughout Europe to pursue development and test materials on a scale that would not have been possible independently. In addition, contacts were made that can benefit future development.

FIRST WITH TRAYS FOR FOOD WITH A LONG SHELF LIFE

Another important breakthrough was the launch of a gas-tight packaging for pasteurized and non-frozen ready-made food in the autumn of 2020. This wood fibre-based product is probably the first of its kind. Rottneros can thereby offer a complete product portfolio that extends from the simplest fast food applications to ready-made food distributed in refrigerated chains, with an in-store shelf life of 2-3 weeks.

*) A life cycle analysis presented within the EU innovation project clearly shows that Rottneros' fibre trays reduce the carbon footprint compared to traditional fossil-based solutions by up to 75 per cent.

World-leading pulp producer in several market segments

Rottneros intends to continue to expand in current and new niches where the Group's products have a competitive advantage. The fibre trays designed at Rottneros Packaging are a relatively new area of focus with great potential. Continuous adaptation and technology development to proactively meet customer needs are a hallmark of the Group.

By developing both current and completely new niches, Rottneros can achieve the goal of increasing the proportion of sales that go to end products with clear market growth. By leveraging the competitive advantages of pulp combined with technology expertise, the Group can establish a strong market position in selected segments. There is potential to continue to expand in these areas through a stronger market presence in countries in Asia with rapid economic growth.

UNIQUE AND TAILORED QUALITIES

Rottneros is currently the world-leading producer of pulp that is primarily used in filter production as well as an extremely pure e-pulp for electrical applications. The Group also aims to expand its market share in the packaging market in Europe, which will expand in the long term. This market includes pulp for fibre trays, where mechanical pulp from Rottneros has excellent properties.

An important part of the product offering is the technical know-how of the employees and their specialist knowledge in the customers' end-use areas. This knowledge enables Rottneros to continually develop its pulp qualities and tailor products suitable for a specific customer's end product.

Development work and the high level of service are important components of the Group's strategy of positioning both mills towards a high proportion of specialised customers.

It also opens opportunities for collaboration with customers where Rottneros can offer tailored solutions. The combination of our two mills, with production of both chemical and mechanical pulp, as well as the high level of specialised knowledge within the company, create opportunities to offer joint product development with a clear customer focus.

PRODUCTS FOR FOOD AND BEVERAGES

Another important component of the Group's offering is the role of the pulp, and thus also the fibre products, as a natural and environmentally friendly alternative to plastic.

Pulps from Rottneros are of such high quality that they can be used to manufacture products used for food and beverages, which is a clear competitive advantage. The investment in fibre trays at Rottneros Packaging is a good fit for this purpose.

The business environment and customer behaviour are changing at an increasingly rapid pace. Through consistent business intelligence monitoring and curiosity, the Group ensures its ability to grow within current niches, as well as to find new segments with good market growth.

With the unique breadth of its range of products, along with the increasing demand for environmentally sustainable alternatives, Rottneros is well positioned for the future.

Applications for our products



Board and packaging



Filters



Electrotechnical applications



Tissue paper



Writing and printing paper



Special applications



Moulded trays



Board and packaging

GROWING BOARD MARKET

Pulp for board and packaging is a segment that has long-term growth in the market and is therefore an area of focus at Rottneros.

With growing global consumption and steadily increasing online shopping, more goods are being packaged and shipped. Along with rising awareness of sustainable packaging and a shortage of recycled fibre, these factors drive demand for pulp. At both Rottneros Mill and Vallvik Mill several types of pulp are produced that are suitable for board and packaging manufacturing. For example, the current trend of replacing plastic packaging with paper packaging is a growing niche in which Rottneros can offer suitable types of pulp.

PROPERTIES TO MEET HIGH REQUIREMENTS

The Group's CTMP and sulphate pulp are known for their high purity and meet the high requirements placed on packaging and liquid packaging board used for foods, such as milk and juice containers. The bulk properties of the CTMP have been optimised to increase the stiffness of the board.

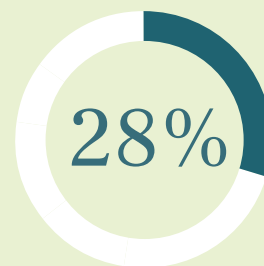
Robur Flash, which is produced at Vallvik, is a long-fibre sulphate pulp that is available both bleached and unbleached and is an excellent choice for high strength properties and thus also for convertibility. Unbleached Robur Flash is well suited for the growing segment of unbleached liquid packaging board. The advanced washing sequence makes it possible to produce a very pure unbleached pulp that gives Rottneros a clear competitive advantage and a strong market position.

Bulk Booster is a quality made of mechanical pulp that can replace recycled fibre in recycled fibre based board to improve the fibre mix. Bulk Booster makes it possible to produce a thicker and stiffer board from the same quantity of raw material.

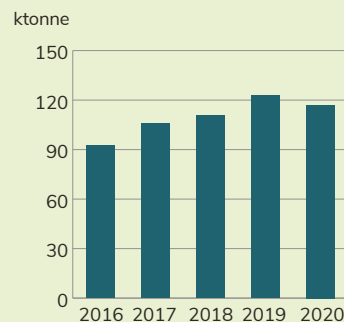
The Group's CTMP and sulphate pulp are known for their high purity and meet the high requirements placed on packaging and liquid packaging board used for foods.



PERCENTAGE OF
ROTTNEROS TOTAL DELIVERIES



ROTTNEROS DELIVERIES OF PULP
TO CARTON AND PACKAGING





Writing and printing paper

INCREASED OPPORTUNITIES IN SELECTED NICHES

As digital media have gained in popularity and interest in graphic paper has fallen, demand for plain writing paper has declined. As a result, customers in this area are looking for new business opportunities in specialty paper, which is a good fit with Rottneros' broad product portfolio. Despite the shrinking market for graphic paper, the change in the market presents new opportunities for Rottneros in selected niches.

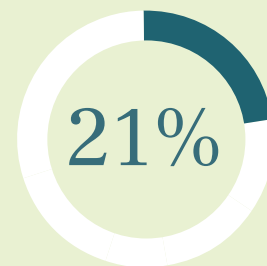
OPACITY, PURITY AND BULK IS DEMANDED

Rottneros' pure and high-quality pulps offer clear competitive advantages with respect to use for thin printing paper, as well as a number of special applications. In these niches, opacity, purity and bulk are key properties. One type of pulp that is perfect for this application is Opacity Extreme, which is produced at Rottneros Mill.

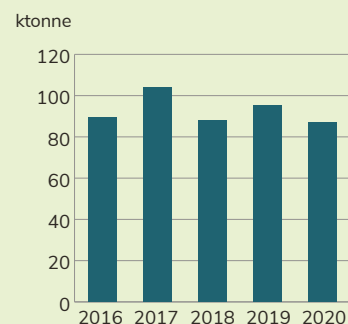


Our pure and high-quality pulps offer clear competitive advantages with respect to opacity, purity and bulk

PERCENTAGE OF
ROTTNEROS TOTAL DELIVERIES



ROTTNEROS DELIVERIES OF PULP
TO WRITING AND PRINTING PAPER





Filters

MARKET-LEADING PULP FOR FILTERS

Rottneros is a global leader in pulp for manufacturing filters. Specialised pulp qualities that are used by manufacturers of both air and liquid filters are produced at both the Vallvik and Rottneros Mills. High porosity and strength allow the Group's pulp qualities to be used in everything from automotive filters to coffee filters. The total capacity of the filter depends on its purification efficiency and purification capacity. Purification efficiency is a measure of how many of the different particle sizes are filtered out, while purification capacity measures the quantity of dirt particles that the filter can capture.

A high pulp quality with the right properties combined with a high standard of technical customer service, warehousing and logistics solutions, as well as long and close customer relationships, give Rottneros a position that few competitors can challenge.

DESIRABLE PROPERTIES FOR AUTOMOTIVE FILTERS

The Rottneros Group produces several types of pulp that are used to manufacture both air and liquid filters for applications in fields such as the food and automotive industries. Depending on the application for these filters, a combination of properties must be achieved.

The Group's filter pulps can be combined in different versions, thereby providing a wide range of desired properties, making Rottneros unique among the world's suppliers of cellulose fibre for the automotive industry.

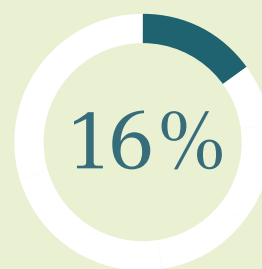
MAXIMUM PURITY AND FILTERING CAPACITY

Rottneros is also a significant supplier of pulp for coffee filters. Achieving the best possible taste experience for the finished beverage requires a pulp of maximum purity and filtering capacity.

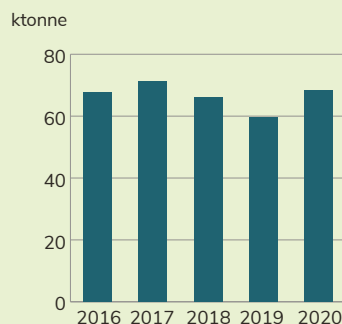
A high pulp quality with the right properties combined with a high standard of technical customer service, warehousing and logistics solutions, as well as long and close customer relationships, give us a position that few competitors can challenge.



PERCENTAGE OF
ROTTNEROS TOTAL DELIVERIES



ROTTNEROS DELIVERIES OF PULP
TO FILTERS





Tissue paper

STEADILY GROWING DEMAND

Tissue paper is used to manufacture paper napkins, paper towels and toilet paper. The market for these products is both large and relatively independent of cyclical fluctuations.

Demand is steadily growing as the standard of living improves in many emerging markets, such as Asia.

MOST PULP QUALITIES

All types of pulp at Rottneros can be used to manufacture tissue. These qualities can also be mixed to obtain desirable properties. Customers receive good advice from our knowledgeable technical specialists regarding which types of pulp should be mixed for each purpose.

HIGH DEMANDS ON PULP PROPERTIES

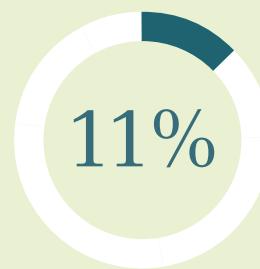
Demands placed on pulp used in tissue paper are often high. Properties that are important include how the paper feels against the skin, how well it holds together when wet, bulk, absorption, appearance and brightness.

Rottneros Absorption Express is a mechanical pulp with an absorption capacity of the highest class, as well as a high bulk that has been developed for this purpose.

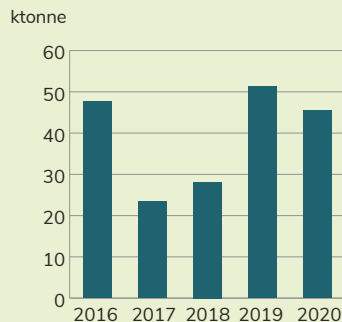


Properties that are important include how the paper feels against the skin, how well it holds together when wet, bulk, absorption, appearance and brightness.

PERCENTAGE OF
ROTTNEROS TOTAL DELIVERIES



ROTTNEROS DELIVERIES OF PULP
FOR TISSUE





Electrotechnical applications

WORLD LEADER IN E-PULP

Rottneros is a world leader in the market for pulp used in electrical insulation materials, transformer boards and condenser paper, often referred to as E-pulp. E-pulp is extremely pure and well-washed to achieve the desired properties.

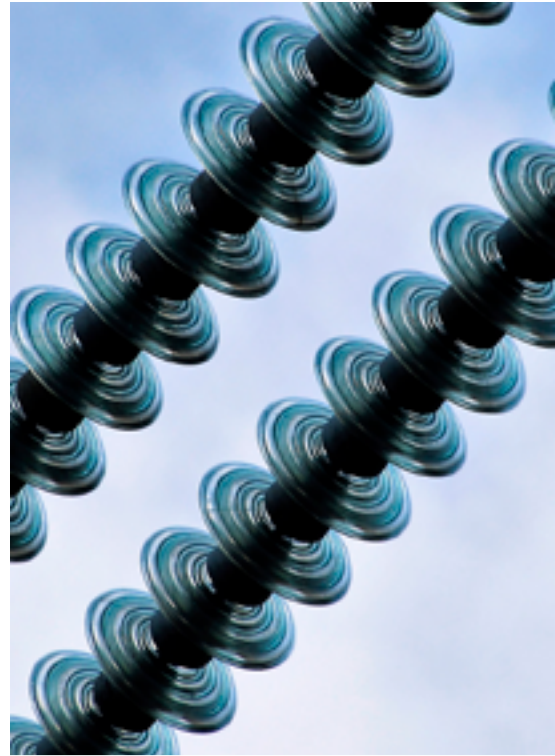
E-pulp is available in a variety of qualities, the purest of which is marketed under the name Robur Flash UKP E-grade and is used for purposes such as insulation in marine high voltage cables. The product has a very strong position in its niche.

The E-pulp of today is the result of 20 years of continuous development and has a uniquely low conductivity. An advanced production process and an extensive washing means that the product can be used in the most demanding insulation materials, where the strength of the E-pulp is as important as the electrical insulation properties. The E-pulp is produced in Vallvik Mill.

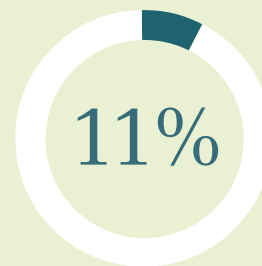
STABLE MARKET AND FEW COMPETITORS

The e-pulp market is characterised by stability and long-term customer relationships. Only a few suppliers are in this market, which makes it less exposed to pulp market fluctuations.

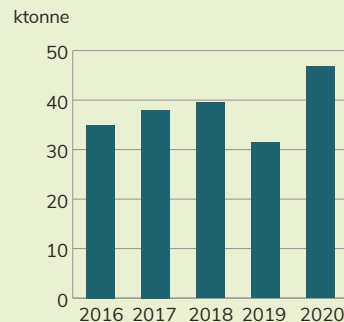
Rottneros is a world leader in the market for pulp used in electrical insulation materials, transformer boards and condenser paper, often referred to as E-pulp.



PERCENTAGE OF
ROTTNEROS TOTAL DELIVERIES



ROTTNEROS DELIVERIES OF PULP
FOR ELECTRICAL APPLICATIONS





Special applications

CUSTOMISED PULPS

Because of their unique properties, Rottneros pulps can be used for a plethora of unique applications. In addition to the areas mentioned previously, applications for pulps include wall-paper, laminate flooring, greaseproof paper, shoe soles, fibre cement, absorption material and moulded fibre, such as our own trays which are made at Rottneros Packaging.

SUSTAINABLE MATERIALS IN THE HOME ARE BECOMING INCREASINGLY IMPORTANT

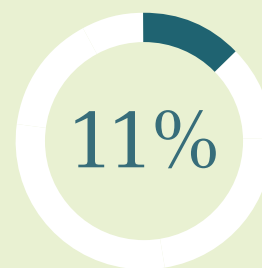
Parchment paper and butter paper can be found in most homes and make cooking easier, while improving hygiene. The most important properties are resistance to fat and oil. Our high-quality Robur Flash pulp is an excellent choice for producing a strong and reliable grease-resistant paper.

The tailor-made pulp blends have also proven to be good basic materials for labels for many leading denim manufacturers. The fibre structure of the sulphate pulp, long fibres that guarantee excellent strength and absorption, is attractive to customers. Rottneros also has a type of pulp that is suitable for production of laminate flooring and wallpaper.

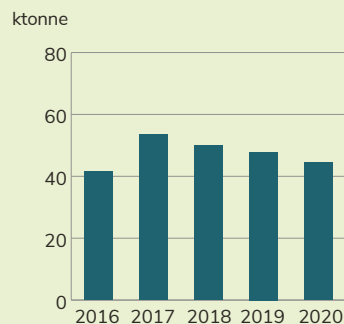


Applications include wallpaper, laminate flooring, greaseproof paper, shoe soles, fibre cement, absorption material and moulded fibre, such as our own trays.

PERCENTAGE OF
ROTTNEROS TOTAL DELIVERIES



ROTTNEROS DELIVERIES OF PULP
FOR SPECIAL APPLICATIONS





Moulded trays

ROTTNEROS PACKAGING

Rottneros offering in fibre packaging initiative serves as a third pillar for the Group in the long term. The starting point is a high-quality sustainable packaging solution that is safe, renewable and recyclable. These trays are produced by Rottneros Packaging.

STRONG DEMAND FOR ENVIRONMENTALLY FRIENDLY TRAYS

Our CTMP pulp is ideal for creating moulded trays for both hot and cold foods. They meet customer demands for packaging with a significantly better sustainability profile than the current alternative, which is often plastic-based. Demand for environmentally friendly packaging is high and is also growing strongly.

MEETS THE HIGH DEMANDS OF THE MARKET

Our main focus is on high-quality food packaging with functionality that meets extremely stringent requirements. Desirable properties mainly include food safety, barrier properties to achieve the right functionality and traceability of the raw timber.

The market for moulded fibre products is currently characterised by options with a lower sustainability factor, often by mixing in perfluorochemicals (PFAS).

Our CTMP pulp is ideal for creating moulded trays for both hot and cold foods. They meet customer demands for packaging with a significantly better sustainability profile than the current alternative, which is often plastic-based.







Sustainability Report

Sustainability is essential for long-term value generation. Rottneros shall demonstrate sustained profitability over an economic cycle by running the business responsibly and by making financial, environmental and socially sustainable investments. Rottneros is a small company in the industry, but has substantial know-how, extensive experience and deliver high-quality pulp for a range of applications to customers on a global market.

Sustainable value creation

The focus of the Board of Directors is to ensure, along with management, that the Group develops in a way that generates maximum value, in terms of both sustainability and a good return on capital for shareholders. The position Rottneros holds as a sustainable, financially strong and leading player in a number of selected niches is the result of a long-term effort aimed at constantly creating added value. As a forestry company, the Group is part of the solution for the long-term sustainability challenges that society faces.

The pandemic was profound for society at large, as well as for Rottneros in 2020. The major efforts made within the company to avoid infection within the operations and among the employees were effective. As a result, the trend could continue towards higher production, expansion within selected niches and an increasingly clear sustainability profile, despite the significant challenges.

GOOD MINIMUM LEVEL OF PERFORMANCE

Operationally, 2020 provided clear proof that the long-term efforts to achieve higher production levels and the specialisation strategy are bearing fruit. As for competitors, the financial outcome was weak, but the minimum level, when the most important external factors are heading in the wrong direction, is considerably better today compared with previous economic downturns. The year was characterised by negative external factors such as a weak pulp market and a declining USD exchange rate, as well as higher electricity prices, which were offset internally by a growing production volume and good cost control.

CREATE SUSTAINABILITY VALUES

Replacing fossil-based products with sustainable materials continues to be a priority in society for the foreseeable future. Along with a growing need for good packaging solutions, this trend will entail long-term growth for the pulp market as a whole. There is great potential for expansion within Rottneros' various market niches and the company's investments have always focused on added value for customers, shareholders and the environment – both through a good potential return and through the sustainability-related values we can create for society as a whole. Consumers clearly want to see wood fibre-based packaging in areas where plastic still dominates. The fibre trays that Rottneros Packaging makes, which are mainly intended for food, have substantially better environmental properties than the primarily plastic-based products that dominate the market today.

Balanced indebtedness is important to be able to create the best possible return with a reasonable level of risk.

The company's financial position must be characterised by a strong equity/assets ratio for good resilience in challenging times. Because of the uncertainty related to the effects of the pandemic on the pulp market and to safeguard the Group's strong balance sheet, the Board of Directors resolved in the spring that no dividend would be paid for the 2019 financial year. Rottneros was thereby able to maintain its strong equity/assets ratio and low debt/equity ratio in 2020, despite the weak market trend. The company met its target for the equity/assets ratio of at least 50 per cent by a good margin.

SECURED PULP WOOD SUPPLY

The consolidation of Nykvist Skogs enabled the Group to integrate backwards in the value chain with a more active position on the raw material market, thereby strengthening access to wood from private forest owners, a group that accounts for about half of all forest ownership in Sweden. Rottneros Mill has an electricity-intensive production process, for which reason the pronounced price differences that occasionally arise between the area price that the company pays and the theoretical price for all of Sweden, the system price, is problematic. The main reason for this difference is the electricity production shortage in southern Sweden and the limited transmission capacity between the different parts of the country.

TOGETHER WE CAN COPE WITH THE CHALLENGES

Finally, I would like to warmly thank Group management, our employees and my colleagues on the Board of Directors for their outstanding collaborative efforts during a unique year with extensive challenges in our world.

Per Lundeen
Chairman



"The trend towards higher production, expansion within selected niches and an increasingly clear sustainability profile could continue during the year, despite the significant challenges."

Rottneros' role and responsibility in the circular economy

Rottneros complies with the Government decision on a national strategy for a circular economy in Sweden. A circular economy is a tool to reduce the consumption of resources in society. The strategy is an important step towards Sweden becoming the world's first fossil-free welfare nation.

The Government strategy sets out four focus areas in which measures are necessary.

1. Sustainable production and product design.
2. Sustainable ways of consuming and using materials, products and services.
3. Toxin-free and circular ecocycles.
4. Driving force for the business sector and other actors through measures to promote innovation and circular business models.

The vision in the strategy is 'A society in which resources are used efficiently in toxin-free circular flows, replacing virgin materials'.

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

By analysing where in the value chain our impact occurs, we can clarify our responsibility in the circular economy. This helps us to take strategic decisions regarding investments or changes in working methods and procedures. One example of how we have improved our internal ecocycle over the year is the investment in a methane gas burner for Rottneros Mill (read more on page 23).

We also focus on product development of bio-based, renewable raw materials, and sustainable production to replace fossil-based products (Read more on pages 24-25 and 44).

Rottneros is working on several innovative development projects, such as utilisation of surplus low-grade heat from our mills.

CIRCULAR ECONOMY

The opposite of the traditional linear economy that we have today. Instead of producing, buying, using and then throwing things away, a circular economy uses everything that has been produced for as long as possible.

And when things are used up, they are reused and recycled as much as possible, over and over again. A modern word for ecocycle, quite simply.

CIRCULAR FOREST INDUSTRY

Growing forests convert sunlight, carbon dioxide and water into wood. The carbon dioxide is stored in the growing trees.

When the trees are fully grown, they are harvested. At least two new trees are planted for every tree that is harvested.

100% of the tree is utilised. The highest possible added value determines what is made of the different parts of the tree. Rottneros' raw material consists of pulp wood from forestry and woodchips from different sawmills.



Rottneros' impact on the value chain

RAW MATERIALS FROM THE FOREST

Rottneros is traceability-certified to the FSC® and PEFC™ standards. This guarantees that there is nothing controversial about the origin of the wood used, and that it can be traced backwards in the supply chain.

1

DELIVERIES

Deliveries of raw materials, chemicals, machinery and equipment all have an impact, which we try to minimise by choosing suppliers located close to our units.

2

PRODUCTION PROCESS

We use resources such as wood, water, electricity and chemicals in production and constantly work to streamline our processes and to build internal cycles for purification and recycling.

CO₂ emissions mainly occur at startup of production. Our target is to achieve fossil-free production by 2030.

3

CARBON DIOXIDE

The biogenic carbon dioxide that is released is taken up again by growing trees. The cycle is closed.

7

ROTTNEROS PULP INDUSTRY

There is constant development of both products and processes to achieve increased resource efficiency and value creation.

INNOVATION

CUSTOMERS PAPER INDUSTRY

4

RESIDUAL PRODUCTS, BIOENERGY AND RECYCLING

Chemical waste is purified and recycled where this is possible; disposal is carried out in compliance with legal requirements.

Paper and packaging have a high recycling rate worldwide. About 80 per cent becomes new material. Wood fibre can be recycled up to seven times.

Rottneros is working on several projects to use surplus low-value heat from our mills, such as drying of materials, electricity generation or agriculture.

In 2020 we participated in the Multibio project, in which one subproject involved producing degradable and fossil-free plastic, using our residual products as raw material.

5

SALES AND CUSTOMER SERVICE

Transports to customers around the world have an impact on climate. In order to reduce emissions, we are focusing on efficient logistics and sustainable means of transportation, such as ship and train.

High-quality products and supply reliability, backed by top quality technical support and service, are key factors for customer satisfaction and our long-term customer relationships.

Product development is a constant process. One current project entails further refinement of the pulp to achieve oil-absorbing properties.

EMPLOYEES

Workplace accidents still occur, but our zero vision objective is a priority and we are working systematically to achieve it.

In order to create a stimulating and pleasant workplace we focus on gender equality, work related to our core values, a strong commitment and clear leadership.

Sustainability strategy, focus areas and targets

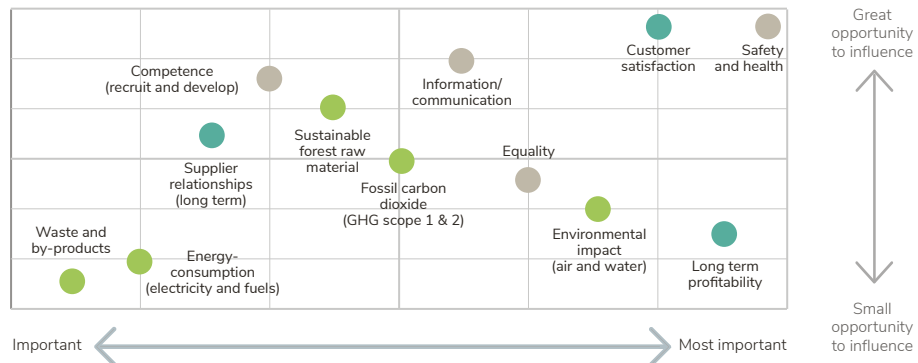
Rottneros' sustainability strategy defines our long-term targets and focus areas. The clear priority areas of the strategy guide us to make the right decision, in the right direction and help us to achieve the positive changes we want within the Group.

Rottneros' Board of Directors and Group management identified the most important sustainability issues from the perspective of our stakeholders. The selected issues were then ranked from important to most important, based on the priorities of the stakeholders. In the next step the issues were ranked based on the degree to which Rottneros has the ability to impact the issue in question. The results are shown in our materiality matrix. The key issues for our stakeholders are shown so that

the most strategically important issues are at the top right and the most communicatively important issues are at the bottom right. As part of the process we also identified key performance indicators for each focus area. Read more about our focus areas on the following pages, where they are described in greater detail. All of the other sustainability issues are integrated into our daily work at Rottneros, though we do not dedicate as much effort to external communication about them.

MATERIALITY MATRIX

- Environmental Targets
- Social Targets
- Financial Targets



STAKEHOLDERS, REQUIREMENTS AND COMMUNICATION

STAKEHOLDERS	PRIMARY SUSTAINABILITY REQUIREMENTS	FOCUS AREAS	COMMUNICATION CHANNELS
Customers	<ul style="list-style-type: none"> Product quality Technical expertise Certified pulp Delivery security 	Customer satisfaction	Personal contacts, agents customer survey, brochures, annual report, trade fairs, website and social media.
Employee	<ul style="list-style-type: none"> Safety and health Gender equality Competence (recruit and train) Information / communication 	Security and health Equality	Intranet, newsletters, meetings, surveys, through Universities and Colleges, website and social media.
Suppliers	<ul style="list-style-type: none"> Rottneros' development Safe workplace for suppliers Fair procurement 		Procurements and personal contacts.
Community, neighbours	<ul style="list-style-type: none"> Reduced emissions to air and water Job opportunities 		Local press, website and social media.
Authorities	<ul style="list-style-type: none"> Compliance with environmental laws Collaboration in dialogues / referrals. 	Environmental impact	Regulations, consultation responses, supervisory, visits, reports and opinions.
Shareholders, capital	<ul style="list-style-type: none"> Long-term profitability Sustainability 	Long term profitability	Website, press releases, financial statements and equity market meetings

ROTTNEROS GROUP SUSTAINABILITY STRATEGY, FROM VISION TO RESULTS

BUSINESS
IDEA

Guided by curiosity and experience, we offer products and services in close cooperation with our customers.

VISION, OUR VALUES

Always make a difference

We get involved, We respect everyone, We are professionals

FOCUS AREAS

FINANCIAL TARGETS

Long term profitability
Customer satisfaction

SOCIAL TARGETS

Security and health
Equality

ENVIRONMENTAL TARGETS

Environmental impact

GLOBAL GOALS

Of the UN's 17 global development goals, Rottneros has identified the following to which the Group has the greatest impact.



LONG TERM TARGETS

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

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

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

Long-term and close customer relationships.

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

Zero vision approach to workplace accidents with sick leave.

Increase the proportion of female employees.

Reduce emissions to air and water with a good margin under environmental permits.

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

MEASURABLE GOALS

Distribution of net profit 30-50 %
Equity/assets > 50 %
Pulp capacity / year +3 %
Share of revenue, not pulp 2023 >10 %

Annual improvement of LTIFR
Percentage of females employees in 2025 > 30 %
To increase the proportion of specialties in the customer / product mix over time.

Annual improvement of emissions of COD / tonnes.
Annual improvement of emissions of fossil carbon dioxide.

RESULT

Continue to make a difference, create profitability, growth and reduce environmental impact globally through responsible and strong long-term relationships with our employees, suppliers, customers, owners and other stakeholders.

A safe work environment and good health are top priorities

Rottneros will offer a safe and secure work environment for all employees. Safety takes precedence over everything else and is something we emphasise in all situations. The Group has a zero vision approach to accidents leading to sick leave, which permeates the entire operation. The organisation applies a structured and targeted approach to eliminate workplace accidents.



Target 8.8
Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.

Long-term target:

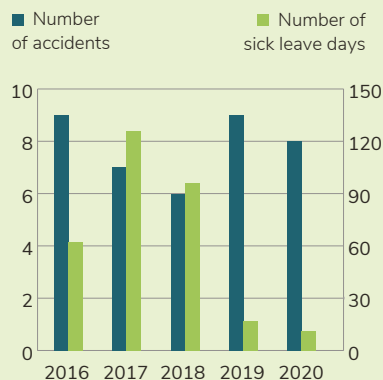
Zero vision approach to workplace accidents leading to sick leave

Measurable target:

LTIFR 2021 < LTIFR 2020

LTIFR, Lost Time Injury Frequency rate is the number of accidents leading to sick leave per million worked hours. Up until 2020, the key performance measurement was number of accidents with sick leave.

ACCIDENTS



Workplace safety and security are a top priority and several measures were implemented during the year to reduce the risk of accidents. In 2020 we had 11 sick days related to a total of 8 workplace accidents.

PREVENTIVE SAFETY EFFORTS

At Rottneros there are many different occupational groups that may be exposed to the risk of workplace accidents. Safety has therefore always been a top priority both in daily activities and in long-term and strategic initiatives aimed at developing the company.

Safety and work environment-related initiatives must be a natural component of all aspects at work. We are constantly working to improve with respect to this key issue for safety-related progress. The number of accidents leading to sick leave must be further reduced, with a zero vision objective for the long term. Achieving this target requires a culture based on safety awareness at every level and in every step. The safety culture is supported by clear leadership and structured working methods. Each individual must take risks seriously in order to achieve a safer workplace for everyone, including both employees and visitors.

A safety representative is included in the project group for all investment projects to ensure that safety requirements are met.

In daily operations, safety rounds are carried out to ensure that equipment and procedures meet the safety requirements. At production meetings, as at all internal meetings, safety is the first item on the agenda. All internal training programmes include segments on safety.

All risk observations, checklists for safety rounds, incidents and accidents are reported and entered directly in the industry-wide system, PIA. The platform provides an overview so that we can systematically investigate causes of ill health and accidents and proactively work to prevent and minimise them.

PREVENTIVE MEASURES AGAINST ILL HEALTH

Rottneros works proactively to prevent all types of ill health. For example, the Group conducts regular health surveys, linked to the occupational health centres in our cities. We actively collaborate with occupational health to insure that it will be wellness care and not medical care. All employees are offered an annual wellness subsidy. We conduct employee satisfaction surveys regularly.

SAFE SHUTDOWNS AND TRAINING

Rottneros Mill implemented a new 'lock out-tag out' safety procedure for safe shutdowns in 2020. The purpose was to improve safety during maintenance work and when working with production equipment.

As previously, activities were carried out in 2020 to increase awareness of risks associated with different steps. Ongoing safety training is provided to new employees, who receive 'SSG safety driving licenses'.



Coronavirus pandemic: Risk assessment and preventive measures

In 2020 the consequences of the coronavirus pandemic had a severe impact on operations at Rottneros. Management has viewed the preventive measures for the coronavirus from two perspectives – minimising the risk of infection in the workplaces, and all employees should be able to maintain their health and well-being during this period.

EARLY RISK ASSESSMENTS AND MEASURES

The company conducted risk assessments and formulated guidelines at an early stage to minimise the risk of infection related to travel and meetings. A detailed plan was formulated to keep the factories running should increase in sick leave occur, and clear rules were set for external visitors. Those who could, worked from home to reduce the risk of infection, which applied to 10-20 per cent of employees.

CHALLENGES WITH MAINTENANCE SHUTDOWN

The far-reaching consequences of the coronavirus pandemic and the Group's focus on keeping the infection outside the factory gates entailed major challenges that were posed in connection with the annual maintenance shutdowns for each mill, since many people from dif-

ferent suppliers were involved in the work. To minimise the risk of infection an array of different measures were implemented for social distancing and disinfection, following extensive discussions with the local infection control authorities.

The work was successfully carried out according to plan and received extensive positive feedback from the involved suppliers and authorities.

MEASURES AT THE INDIVIDUAL LEVEL

The Group also worked hard throughout the pandemic to reduce the psychosocial consequences that can arise; for example, risk and impact assessments were carried out at the individual level with respect to the changes in the work situation.

All employees were offered access to a support hotline that they can call for help if they were worried about the pandemic. Antibody and rapid COVID-19 tests were also made available.

Already in the spring of 2020 employees at the Group with training in health care were offered the opportunity to take a personal leave of absence, with pay, to help out in the healthcare system.

Focus on sustained profitability: a broadened business offering

For many of Rottneros' stakeholders, sustainability is linked to long-term financial accountability.

Sustained profitability and strong finances are critical for shareholders, the capital market, customers and suppliers. Maintaining a high and stable production volume is crucial for financially sustainable development. To reduce dependence on variations in pulp prices and exchange rate fluctuations, the Group strives to broaden its business base outside pulp production.

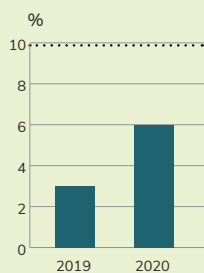
Long-term targets:

Reduce dependence on variations in pulp prices and the exchange rate by broadening the business base and increasing alternative revenue flows. Offset inflation within fixed costs through annual growth of production volume. Maintain the strong equity/assets ratio and low debt/equity ratio.

Measurable targets:

Distribution of net income	30-50 %
Pulp capacity, yearly growth	+3 %
Share of revenue, not pulp 2023	>10 %
Equity/assets	> 50 %

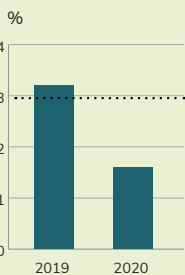
SHARE OF REVENUE, NOT FROM PULP



Rottneros' share of net turnover that does not come from pulp has doubled in 2020, compared with the previous year. The share that does not come from pulp, comes from external sales of wood, by-products and fibre trays.

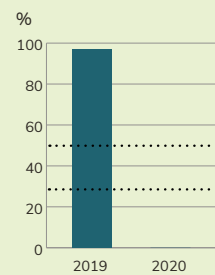
..... Target, at least 10 % 2023

PULP CAPACITY YEARLY GROWTH



..... Target: growth 3 %

DISTRIBUTION OF NET PROFIT



..... Target: 30-50 %

LONG-TERM PROFITABILITY AT ROTTNEROS

Sustained profitability and strong finances are a prioritised sustainability issue for the Group. Potential investments are assessed and decisions should always be made based on whether they are financially, environmentally and socially sustainable.

Through the major investment projects implemented within the Group between 2015 and 2018, with continued optimisation and improvements in 2019-2020, a new and gradually growing level of availability and production volumes has been established at the mills. High and stable production is crucial for profitable and financially sustainable development. Other important consequences of the projects are reduced dependence on fossil fuels, improved quality and increased energy efficiency.

Solid finances with a strong balance sheet are of great importance for being able to meet a weak economy with the risk of falling pulp prices. The Group has therefore set a financial target that the equity/assets ratio shall be over 50 per cent.

CHALLENGES, TARGETS AND METHODS

The pulp industry is a cyclical industry in which prices are mainly set in USD, which means high sensitivity to both economic developments and fluctuating exchange rates.

To reduce dependence on variations in pulp prices and exchange rate fluctuations, the Group strives to broaden its business base and increase revenues from other than pulp sales. The target is to increase the share of revenues from other than pulp sales to at least 10 per cent of turnover by 2023. In 2020 this share was 6 per cent of the Group's turnover.

In order to deal with inflation in fixed costs, including annual wage increases, it is important to have underlying growth in production volume and productivity. Consequently, the Group set a target of 3 per cent annual growth in production volume.

NEW RECORD LEVELS IN PRODUCTION

In 2020 the Group continued its successful efforts to gradually increase production through a long-term and systematic improvement initiative. As a result, each mill set new records, with a 2 per cent increase in production at Vallvik. The corresponding figure for Rottneros Mill was 1 per cent.

At the same time, cost control was also top priority. Fixed costs were kept down at stable levels to offset the pressure on margins caused by the weak market situation.



The fibre tray initiative at Rottneros Packaging is a key component of the strategy to broaden operations. Another example is the acquisition of Nykvist Skogs AB.

BROADENING OF THE BUSINESS BASE

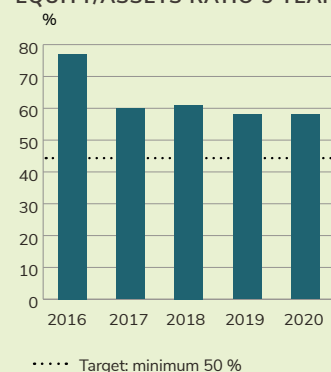
The fibre tray initiative at Rottneros Packaging is a key component of the strategy to broaden operations. Another example is the acquisition of Nykvist Skogs AB, which has been part of the Group since 1 January 2020. It broadens the supply of raw materials and provides new revenue flows from various forestry-related services.

THE STRONG ASSETS RATIO COULD BE MAINTAINED

Because of the uncertainty related to the effects of the pandemic on the pulp market and to safeguard the Group's strong balance sheet, the Board of Directors resolved in the spring of 2020 that no dividend would be paid to shareholders for the 2019 financial year. The company was thereby able to maintain its strong equity/assets ratio and low debt/equity ratio in 2020, despite the weak market trend.

The equity/assets ratio at year-end was 58 per cent. Meanwhile, the Group's cash and cash equivalents totalled 330 MSEK and unutilised credit was 182 MSEK. Interest-bearing net debt was 81 MSEK.

EQUITY/ASSETS RATIO 5 YEARS



Quick and flexible with a focus on the customer

Being customer focused and constantly creating added value for the customers are fundamental for building a long-term sustainable Rottneros. The Group offers top-quality products, service and advice. With its size and wide product portfolio, Rottneros can be quick and flexible, thereby maximising added value for customers.

Long-term targets:

Long-term and close customer relationships.

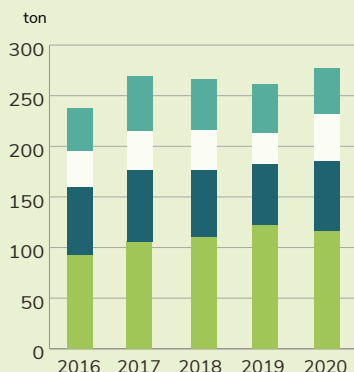
Stable production combined with an even and high pulp quality, which enables us to sell more to our selected niches.

Measurable target:

The target is to increase the proportion of specialties in the customer/product mix over the long term. There may be variations from year to year because of market conditions and changes.

SALES OF PULP TO NICHES

- Special applications
- Electrotechnical applications.
- Filters
- Board and packaging



HOW WE ACHIEVE SATISFIED CUSTOMERS

Customer focus and added value are key components of the corporate culture at Rottneros. The Group develops and produces market-leading pulp of the highest quality and offers one of the broadest product ranges on the global pulp market, along with first-class service. The Group is also active in the fast growing segment of fibre-based food trays.

A high pulp quality with the right properties combined with a high standard of technical customer service, warehousing and logistics solutions, as well as long and close customer relationships, give Rottneros a strong position that few competitors can challenge.

Many customers are demanding certified and traceable pulp for production of ecolabelled products, especially those that manufacture consumer products. Our certifications are a guarantee that we comply with the specified requirements, see page 55.

STRONG AND LONG-TERM BUSINESS RELATIONSHIPS

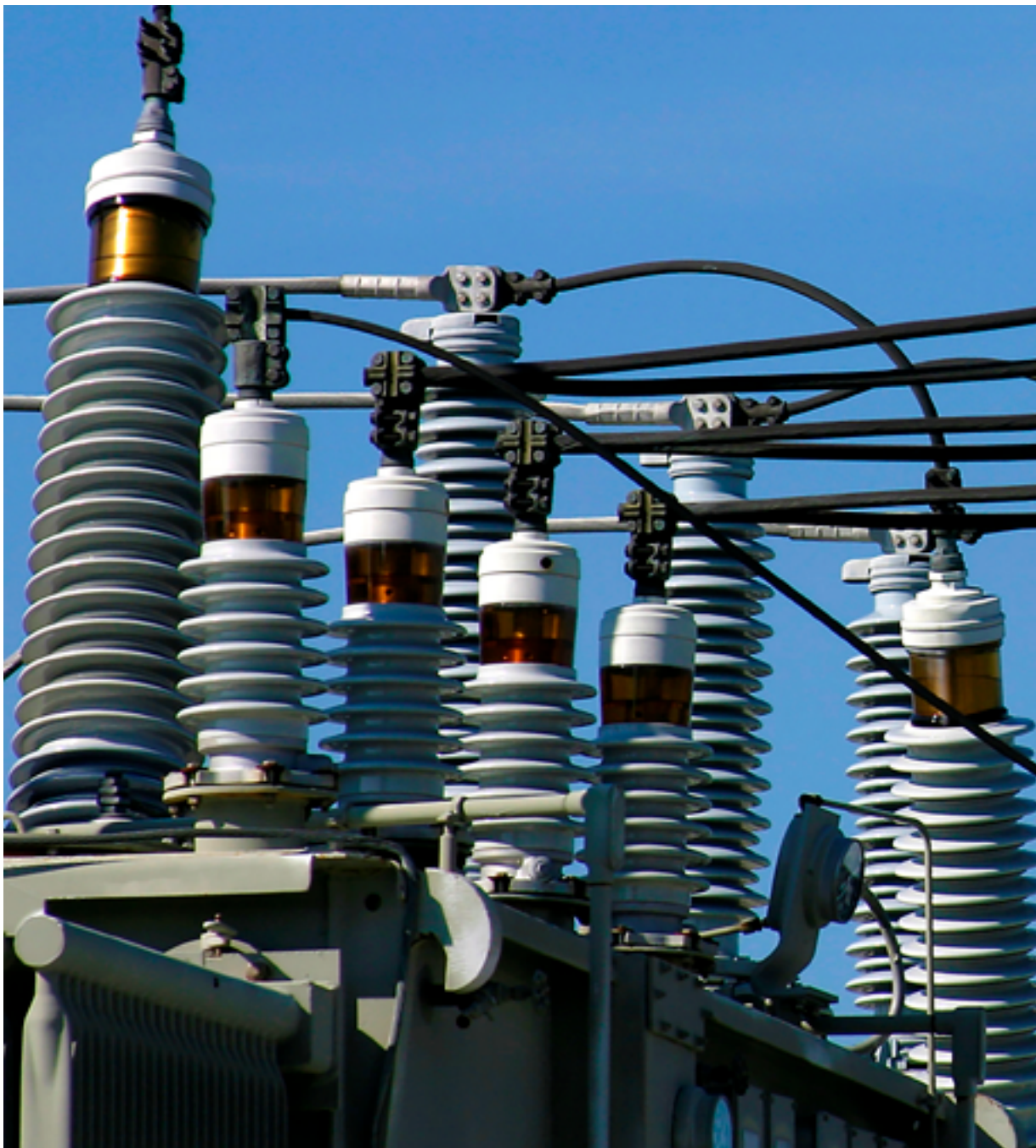
Development work and the high level of service are key components of the Group's strategy of positioning its offering so that it targets a high proportion of specialised customers. This approach also paves the way for close collaborations with customers in which Rottneros offers them customised solutions that strengthen their business. The end result is strong and long-term business relationships. Rottneros can accomplish this because of the combination of the company's broad product offering of both chemical and mechanical pulp, as well as the high level of specialised knowledge within the company.

METHODS FOR MEETING THE CHALLENGES

The challenges that Rottneros meets with respect to creating added value for the customers are mainly related to the ability to constantly develop and adapt the product offering. The product offering needs to be constantly adapted so that it meets the needs of the customers, which change over time. It is therefore important for the company to work closely with the customers in order to optimise their processes and products as far as possible.

In order to identify customer needs, product and quality issues are discussed at regularly scheduled customer meetings. Customer surveys are also conducted regularly. The results from the meetings and questionnaires serve as the basis for changing and adapting the offering.

Another challenge is linked to supply reliability. Through a stable production flow and consistent quality, deliveries to



Rottneros has a strong position in several niche markets. For example, we are the world leader in E-pulp, which is used in electrical insulation materials, transformer boards and condenser paper. The pulp is extremely pure to achieve special properties, such as uniquely low conductivity. This image from [weidmann-electrical.com](https://www.weidmann-electrical.com) shows transformer bushings insulated with board and paper made from Rottneros' Robur Flash E-grade.

customers are optimally ensured, which is completely in line with the Group's overarching strategy: to grow production through constant improvements at the mills.

GROWING PRODUCTION AND SUCCESSFUL SHUTDOWNS

2020 was yet another year with growing production in the Group, with new records set at both Vallvik Mill and Rottneros Mill.

The annual maintenance shutdowns were successfully carried out, despite the significant pandemic-related challenges to avoid the spread of infection at the mills.

SUCCESS FACTORS DURING THE YEAR

Rottneros successfully sold its production volumes by increasing the proportion to China and other Asian markets, especially in tissue paper.

The solid customer relationships that have been built up over the years were of great importance when all sales contacts were completely digital due to the pandemic.

Sales in Central Europe have also been successfully managed in-house since 2018, which was important for the sales trend in Europe.

Rottneros encourages diversity and multiple opinions

Rottneros must be an equal opportunity employer where diversity and different opinions are encouraged. Being an attractive employer for everybody is critical in order to secure the supply of skilled staff for the long term. The target is to increase the proportion of female employees to 30 per cent before 2025 from the current level of almost 20 per cent.



Target 5.5
Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.

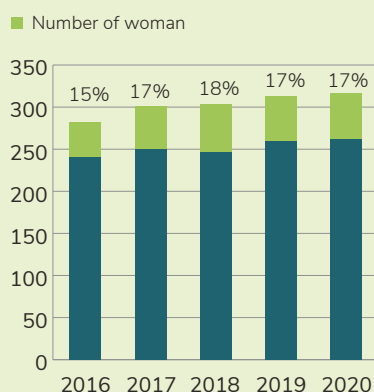
Long-term target:

Increase the proportion of female employees.

Measurable target:

Proportion of female employees 2025 > 30 %

AVERAGE NUMBER OF EMPLOYEES AND PERCENTAGE WOMEN



The percentage of women is the same as the previous year. We constantly work to build a culture and a brand that attracts and retains women in our traditionally male-dominated industry. One example of an activity during the year is the web-based training in our Code of Conduct. 97 per cent of all employees completed the programme during the year.

PROPORTION FEMALE EMPLOYEES

The proportion of female employees has traditionally been relatively low both in the forestry industry and at Rottneros. Currently women account for 17 per cent of employees in the Group. Clearly increasing diversity is an important step towards an equal opportunity workplace.

Equal opportunity workplaces often have a better psychosocial work environment and thus better long-term profitability through a more dynamic and creative work climate, where proven and established working methods are challenged to a greater extent.

Increased gender equality can be crucial for the Group to achieve its overall aim more quickly – to continually improve working methods, procedures and processes.

CHALLENGES AND RISKS

Building a culture and a brand that attracts, welcomes and successfully retains more women in a traditionally male-dominated industry is a long-term and time-consuming process.

It can be perceived as negative that a large proportion of the jobs are physically demanding and require, for example, heavy lifting. In addition, the majority of positions at the mills involve shift work with some scheduled inconvenient working hours.

TARGETS AND METHODS

The Rottneros Group has the target of increasing the proportion of female employees to at least 30 per cent by 2025.

By being an attractive employer that promotes diversity, the Group gains access to the entire labour market in the small towns where Rottneros has its operations. In order to be an attractive workplace for everyone, Rottneros strives to achieve a work/life balance at different stages of life.

Women are given priority when selecting candidates for job interviews. Meanwhile, the majority of students in the engineering programmes that are relevant for the pulp and paper industry are women. This trend increases the chances of appointing more women to different decision-making levels and skills in the Group for the long term.

ANTI-DISCRIMINATION MEASURES

Bullying and discrimination are unacceptable in any form at Rottneros. We respect everyone, regardless of gender, skin colour, religion, sexual orientation or age. However, employee interviews and regular surveys to check the pulse of the mills revealed that, despite our clear core values, discrimination has



Rottneros is principal sponsor for the women's football team Mallbackens IF

Mallbackens IF plays in the 'Elitettan' league and Rottneros AB is a pulp group with operations in Värmland and Hälsingland. Now they have joined forces in a three-season partner agreement.

Rottneros AB has proactively searched for an appropriate sport activity with similar values.

'Gender equality is an important issue for us and we found the opportunity here to sponsor a successful club that focuses on women and girls. Mallbackens IF is also active in Sunne, a town where we have two of our plants, Rottneros Mill and Rottneros Packaging, which is an added bonus,' says Lennart Eberleh, CEO and President. Also Nykvist Skogs AB, which is part of the Group, is located near Sunne in Värmland.

So what do the pulp industry and a women's football team share in common? The similarities are many. For

example, both Rottneros AB and Mallbackens IF are based in small towns - but are big out in Sweden and the world.

'We have both had our share of successes and overcome hurdles for over a hundred years through good values and leadership, strong team spirit, flexibility and a commitment to excel,' says Ola Thomasson, plant manager at Rottneros Mill.

Ola Mill, chairman of Mallbackens IF, is optimistic about the future of the team:

'The sponsorship agreement with Rottneros AB is extremely important for us to be able to continue to have elite-level women's football and our hope, of course, is that with this backing we will be able to successfully qualify for the "Damallsvenskan" division once again.'

occurred on several occasions at the company. Consequently, our management sent a letter to all employees after the summer of 2020. The letter clearly repudiated these actions and called on employees to stand up for one another, speak out directly, contact the CEO or their supervisor, or report the incident via our whistleblower system if they should hear someone say something derogatory.

Discussions regarding these issues have become more active, both within the work groups and through management of the cases that have been submitted.

GÄVLEBORG DIVERSITY AWARD

It is important for Rottneros to actively engage in diversity initiatives. In addition to being an important issue for democracy and the equal value of all human beings, diversity contributes to growth and strong regions. In 2020, Ida Mörtzell, HR and safety director at Rottneros, was given the honourable task of participating on the jury for the Gävleborg Diversity Award.

Environmental issues are of fundamental importance to Rottneros

Environmental issues are central to the corporate culture at Rottneros and a natural part of the Group's DNA. Products from the forest are part of the solution for the climate and Rottneros aims to be a leading player in the industry. Development is constantly underway to improve environmental performance. The long-term goal for the Group is to be completely fossil-free.

ROTTNEROS CONTRIBUTES TO SUSTAINABLE FORESTRY

Rottneros operates in an industry that is part of the solution to global warming. Carbon dioxide is absorbed by the growing forest and is thereby stored in the products that are manufactured from it. Intensive research is underway in many places to develop new products that replace fossil-based raw material with bio-based.

Good management of environmental issues is fundamental and central to the Group's strategy, for which reason the Board of Directors and management are provided with frequent status reports. The Group's work with environmental risks is of particular interest for the authorities, customers and the local community.

RAW MATERIAL – USE AND TRANSPORTS

Rottneros does not own any forest, but contributes to sustainable forestry in many ways. 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.

Suppliers and raw materials are carefully selected. The Rottneros Group is certified under FSC® and PEFC™ and has been purchasing raw materials primarily from certified suppliers for many years. In cases where suppliers are not certified, they are carefully evaluated in order to live up to customer demands in accordance with our certificates.

The company's efficient use of raw materials in production provides advantages from both an environmental and economic perspective. Rottneros Mill uses 95–98 per cent of the raw material. At Vallvik Mill, about 44–47 per cent of the raw material becomes pulp. Residual products from production are mainly used as energy.

To reduce the environmental impact of transports, raw material is purchased locally. Vallvik Mill buys about 50 per cent and Rottneros Mill about 75 per cent of pulp wood from sources located within a 100-kilometre radius. Planning is

carried out to reduce transport distances and to coordinate transports within the Group and with other companies as far as possible.

ENERGY CONSUMPTION AND EMISSIONS

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

At Vallvik Mill, where pulp is produced with chemical processes, the greatest environmental risks are posed by handling of chemicals and by emissions to water and air. To safeguard the environment and to prevent any infringements of applicable provisions and requirements relating to emissions, the Group has a continuous sampling system with alarm functions linked to the mills' control systems. Random manual samples are taken in addition to this.

THE TARGET IS TO BE COMPLETELY FOSSIL-FREE

The Group's long-term target is to be fossil-free. The plan is to have fossil-free production by 2030. One challenge that remains involves replacing the fossil fuels used for startup of production, especially at Vallvik Mill, in conjunction with production disruptions and planned maintenance shutdowns. Another challenge that still remains is to ensure that purchased electricity comes from fossil-free sources.

Eliminating indirect carbon dioxide emissions that occur outside the gates of the operation is yet another long-term challenge for achieving a completely fossil-free Rottneros. This aspect mainly involves vehicles for deliveries to and from the mills that are used by subcontractors working for the Group, as well as suppliers and customers.





Rottneros Mill has invested in a methane gas burner in 2020.

ENVIRONMENTAL INVESTMENT IN METHANE GAS BURNER

In 2020, Rottneros Mill invested 18 MSEK in a methane gas burner as part of the initiative to achieve the target to eliminate fossil fuels in the production process. The methane gas that forms as a by-product is collected during the biological water treatment process. It can then be used as a source of energy for the flash dryers where the pulp is dried.

The investment will result in both reduced consumption of fossil fuels and lower variable costs. The mill has therefore largely achieved the target to eliminate fossil fuels in the production process. Through an array of investments in recent years the mill has reduced its annual oil consumption by roughly 7 000 cubic metres, at the same time as production volume has sharply increased.

SKILLS DEVELOPMENT AND COMPLIANCE CONSULTATION

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

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

ENERGY MANAGEMENT GROUP AND EVEN PRODUCTION

Vallvik Mill has been certified to meet environmental management standards since 2000. Rottneros Mill also updated its energy management system in 2020 and was certified to the ISO 50001 standard. A key component of this effort involved creating an energy management group to work proactively on energy-related issues. The group conducted an analysis to identify everything that causes electricity consumption in the plant.

The even and stable production that characterised the mill's operations in 2020 was beneficial for the daily work of minimising use of fossil fuels. In November the Land and Environment Court set final permits for emissions to water from Vallvik Mill.

Environmental targets and status for 2020



Target 12.2. Achieve sustainable management and efficient use of natural resources by 2030.



Target 14.1. By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution.



Target 15.2. By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.

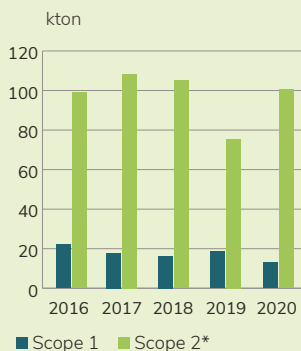
Long-term target:

Fossil-free production according to GHG Scope 1 & 2 by 2030. Emissions from our own operations mainly come from fossil fuels and purchases of electricity.

Measurable target:

Annual improvement of emissions of fossil carbon dioxide.

**FOSSIL CARBON DIOXIDE EMISSIONS
GHG SCOPE 1 & 2 (TON CO₂ EKV)**



Carbon dioxide emissions from production according to GHG scope 1 decreased thanks to lower consumption of fossil fuels.

GHG scope 2 is emissions from purchased electricity. The amount of electricity purchased is at the same level as in previous years, but the emissions of carbon dioxide per kWh in the so-called residual mix has increased. This has meant that Rottneros' emissions from purchased electricity have increased.

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

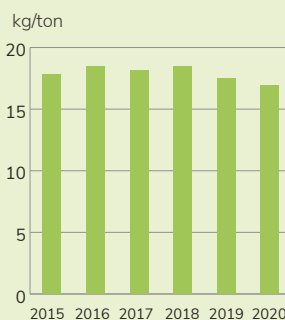
Long-term target:

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

Measurable target:

Annual improvement of emissions of COD/t.

EMISSIONS OF COD



The Group's goal is to continuously reduce emissions of oxygen consuming substances to water.

In 2020, emissions for Rottneros Mill increased. Work continues to improve the performance of the anaerobic treatment plant.

Emissions in Vallvik Mill decreased during the year. A next step is for Vallvik Mill to invest 33 MSEK in a number of measures to minimize emissions.

How we contribute:

Rottneros does not own any forest land, but has its own organisation to acquire pulp wood in Sweden through Nykvist Skogs and in Latvia through SIA Rottneros Baltic.

The Rottneros Group is traceability certified under the two systems FSC® and PEFC™, and aims to ensure that 100% of raw materials purchased from the forest shall be certified under these systems.



Transports of raw material to the mills

The Rottneros Group aims to be completely fossil-free long before 2045, when Sweden will be fossil-free. To achieve this target the indirect carbon dioxide emissions that occur outside the mill grounds, which mainly entail vehicles used for deliveries to and from the mills, need to be eliminated.

DELIVERIES BY CAR

All raw materials arrive at Rottneros Mill by car, while at Vallvik Mill, 84 per cent of raw materials arrive by car. To reduce the environmental impact of transports by car, raw material is purchased locally. Vallvik Mill buys about 25 per cent and Rottneros Mill about 75 per cent of pulp wood from local sources within a 100-kilometer radius.

As far as possible, transports are also coordinated with other forest industry companies to exchange wood chips and pulp. The raw material can therefore always be transported to the nearest industry, which saves money while also reducing impact on the environment.

SHIPPING BY SEA

About 15 per cent of raw material is shipped to Vallvik by sea, mainly through a shipping line that can handle both raw material and pulp on the same vessel. This strategy reduces both shipping costs and environmental impact. A typical shipping route:

- Day 1: Loading of raw material in Riga.
- Day 2: Unloading in Vallvik harbour.
- Day 4: Loading of pulp in Vallvik.
- Day 7: Unloading at pulp terminal in Lübeck.
- Day 9: Loading of raw material in Ventspils
- Day 11: Unloading in Vallvik

With this logical structure the ship is only empty from Lübeck to Latvia, corresponding to days 7-9. One per cent of the raw material for Vallvik Mill arrives by train.

Environmental data



EMISSIONS TO WATER AND AIR							
Permit 2020			2020	2019	2018	2017	2016
PRODUCTION							
Rottneros Mill	tonne		179 900	178 400	174 000	172 600	156 600
Vallvik Mill	tonne		232 700	227 600	219 600	228 600	217 500
SULFUR							
Rottneros Mill	tonne/year	-	6	16	27	22	12
Vallvik Mill - excl. diffuse emissions	tonne/year	80	12	17	16	22	15
Vallvik Mill - diffuse emissions	kg/tonne	0,18	0,15	0,16	0,34	0,34	0,61
NO _x							
Rottneros Mill	tonne/year	-	31	28	22	31	43
Vallvik Mill	tonne/year	420	346	362	344	368	324
SUSPENDED SUBJECTS							
Rottneros Mill	tonne/year	375	222	135	163	208	314
Vallvik Mill	tonne/day	2,5	1,3	1,4	1,3	1,3	2,5
COD							
Rottneros Mill	tonne/year	4 000	3 755	3 213	3 903	3 842	3 112
Vallvik Mill, ECF	tonne/day	15	12,4	14,0	12,3	12,1	13,2
Vallvik Mill, UKP	tonne/day	6,5	4,8	6,7	5,9	5,3	5,9
BOD ₇							
Rottneros Mill	kg/tonne	-	1367	785	818	1 115	763
Vallvik Mill	tonne/day	-		2,4	1,9	1,5	2,5
AOX							
Vallvik Mill, ECF	kg/tonne	0,25	0,11	0,10	0,10	0,08	0,10
PHOSPHORUS							
Rottneros Mill	tonne/year	2,2	1,6	0,7	1,4	0,9	1,4
Vallvik Mill	kg/day	25	19	18	17	17	19
NITROGEN							
Rottneros Mill	tonne/year	42	25	26	29	28	31
Vallvik Mill	kg/day	175	87	99	90	80	119
CHLORATE							
Vallvik Mill, ECF	kg/tonne	0,6	0,3	0,4	0,4	0,3	0,5



ENERGY CONSUMPTION EXCLUDING ELECTRICITY						
		2020	2019	2018	2017	2016
Rottneros Mill						
Biofuels	GWh	85	81	77	63	54
Fossil fuels	GWh	32	36	33	52	58
In total	GWh	117	118	109	115	112
Proportion of biofuel	%	73	69	71	55	49
Vallviks Mill						
Biofuels incl. black liquor	GWh	1 689	1 673	1 609	1 628	1 573
Fossil fuels	GWh	21	32	27	13	23
In total	GWh	1 710	1 705	1 636	1 641	1 596
Proportion of biofuel	%	99	98	98	99	99
The Group						
Biofuels incl. black liquor	GWh	1 774	1 754	1 686	1 691	1 628
Fossil fuels	GWh	53	68	59	65	80
In total	GWh	1 827	1 823	1 745	1 756	1 708
Proportion of biofuel	%	97	96	97	96	95
ELECTRICITY CONSUMPTION						
		2020	2019	2018	2017	2016
Rottneros Mill						
Purchased electricity	GWh	267	265	271	268	241
Vallviks Mill						
Electricity generated in the factory	GWh	146	138	124	137	125
- hence green electricity	GWh	144	135	122	136	123
Purchased electricity	GWh	30	36	48	41	53
In total	GWh	176	174	172	178	178
share produced in the factory	%	83	79	72	77	70
The Group						
Electricity generated in the factory	GWh	146	138	124	137	125
- hence green electricity	GWh	144	135	122	136	123
Purchased electricity	GWh	297	301	319	309	294
In total	GWh	443	439	443	446	419
share produced in the factory	%	33	31	28	31	30
CARBON DIOXIDE EMISSIONS						
		2020	2019	2018	2017	2016
Rottneros Mill						
Fossil fuels	tonne/year	7 299	9 989	8 941	14 361	15 748
Biofuels	tonne/year	33 630	31 433	31 053	35 145	37 492
- share of biofuels	%	82	76	78	71	70
Vallviks Mill						
Fossil fuels	tonne/year	5 604	8 723	7 353	3 420	6 276
Biofuels	tonne/year	656 581	646 212	619 198	628 886	603 689
- share of biofuels	%	99	99	99	99	99
The Group						
Fossil fuels	tonne/year	12 903	18 712	16 294	17 781	22 024
Biofuels	tonne/year	690 211	677 645	650 251	664 301	641 181
- share of biofuels	%	98	97	98	97	97
FOSSIL CARBON DIOXIDE EMISSIONS, GHG scope 1						
		2020	2019	2018	2017	2016
Rottneros Mill	tonne/year	7 299	9 989	8 941	14 361	15 748
Vallviks Mill	tonne/year	5 604	8 723	7 353	3 420	6 276
The Group	tonne/year	12 903	18 712	16 294	17 781	22 024
FOSSIL CARBON DIOXIDE EMISSIONS, GHG scope 2*						
		2020	2019	2018	2017	2016
Rottneros Mill	tonne/year	90 385	66 451	89 186	93 937	81 070
Vallviks Mill	tonne/year	10 156	9 053	15 797	14 371	17 829
The Group	tonne/year	100 540	75 505	104 983	108 308	98 899



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

Rottneros' certifications, standards and policy documents

CERTIFICATIONS	VALLVIKS MILL	ROTTNEROS MILL
SS-EN ISO 9001:2015	Yes	Yes
SS-EN ISO 14001:2015	Yes	Yes
SS-EN ISO 50001:2011	Yes	-
SS-EN ISO 50001:2018	-	Yes
SS-EN ISO/IEC 17025:2018 for the laboratory	Yes	Yes
*) FSC®	Yes	Yes
*) PEFC™	Yes	Yes

*) Nykvist Skogs and SIA Rottneros Baltic have FSC®-certificates. Nykvist Skogs is also PEFC™-certified.

SS-EN ISO 9001:2015

A standard for quality management systems used by management to streamline operations and support employees in their work. The standard helps to produce fact-based decisions that lead to improvement and ensures that the right measures are taken at the right time and with the right amount of resources.

SS-EN ISO 14001:2015

A standard for environmental management systems that provides a tool for management to exercise control over the development of environmental initiatives, in terms of both income and expenses. The standard can be applied to waste, emissions and use of resources and materials.

SS-EN ISO 50001:2011 AND 2018

ISO 50001 is an effective tool for systematically analysing and streamlining energy use and for creating efficient processes with the aim of improving energy performance.

SS-EN ISO/IEC 17025:2018

the standard establishes requirements for competence that enable testing and calibration laboratories to demonstrate that they operate competently, with reliable results.

STEERING DOCUMENTS

Internal policy documents include:

- Articles of Association, as adopted by the AGM,
- The Rules of Procedure for the Board and Terms of Reference for the CEO,
- The Board's committees and the financial reporting,
- Financial and quantitative targets, budgets and reports,
- Policy documents, values and code of conduct.

FSC®-CERTIFICATE

The Forest Stewardship Council (FSC®) is an independent member-led organization that assures environmentally appropriate, socially accountable and economically viable forest management of the world's forests. FSC®-certified forest owners comply with national and local laws concerning environmental concerns, forestry and the economy, as well as binding international agreements. FSC®-certified forest owners also follow FSC® special rules of consideration to protect:

- Endangered animals and plants,
- The future ability of the soil to support forest growth,
- Safe and healthy working conditions for those who work in the forest,
- Indigenous peoples' rights.

PEFC™-CERTIFICATE

System for certification of environmentally friendly and resource-efficient forestry. PEFC™ is similar to FSC®, but is adapted more towards small-scale private forestry. To become certified according to PEFC™, a forest owner must draw up a "Green Forest Management Plan" under which the forest owner commits to set aside at least five percent of productive forest land for nature conservation.

General nature conservation considerations must also be taken into account in the productive forest when felling, such as saving dry trees, tall stumps and windthrows, as well as preserving cultural monuments. In addition to nature conservation value, the forest owner is obliged to comply with the Swedish Forestry Act and engage in sustainable forestry, with regrowth, clearing and other forest management activities.

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 2020.

OPERATION

The Rottneros Group is an independent and flexible producer of both chemical and mechanical high-quality pulp. The Group operates in the market pulp segment, where the pulp produced is sold to customers all over the world. The focus of Rottneros' sales is in Europe, the USA and in some Asian markets.

The Rottneros Group's main operations take place at the two pulp mills Vallvik Mill and Rottneros Mill. The company focuses on expanding in selected niches where the Group belongs to the leading manufacturers in the world, or areas where the Rottneros Group's pulp has a clear competitive advantage. The Group also includes Rottneros Packaging, which develops and manufactures packaging trays for use primarily with food. In January, Rottneros acquired the forest operator Nykvist Skogs AB to strengthen the procurement of raw materials in the Group.

VOLUME GROWTH IN A DIFFICULT MARKET

The year 2020 began with low market prices after a sharp decline in 2019. The pulp market showed signs of recovery at the beginning of the year. With the pandemic, demand for writing and printing paper fell sharply, while demand for hygiene paper was much higher than normal. Other segments such as filters, packaging and electrotechnical applications also showed good demand.

Prices in USD were stable at a low level, while falling in SEK in line with a weaker USD against SEK.

During the year, the Group did not have any production curtailments. Sales have followed production, but at lower prices. Overall, Rottneros reports a negative result for the year. EBIT (operating profit) amounted to -42 (268) MSEK. The Group has maintained a high equity / assets ratio of 58 (58) per cent.

SALES AND RESULTS

Sales

Net turnover for the Group amounted to SEK 2 093 (2 260) MSEK for full-year 2020, a decrease of 12 per cent. This was offset by higher sales volumes of pulp as well as other products.

The Group set new annual records for both production at 412 600 (406 000) tonnes and deliveries at 416 500 (408 300) tonnes. Both production and delivery volumes increased by 2 percent compared with 2019.

The average gross price of long-fibre sulphate pulp (NBSK) denominated in SEK decreased by 17 per cent compared with the previous year.

Turnover for 2020 also includes sales of timber for 80 (16) MSEK, revenue from by-products of 41 (51) MSEK and profit from pulp price hedging of 22 (10) MSEK. See also Note 1 in the Annual Report.

SUMMARY CONSOLIDATED INCOME STATEMENT

	2020	2019
Net turnover	2 093	2 376
EBIT	-42	268
Profit/loss after financial items	-61	247
Net income	-50	194

DEVIATION ANALYSIS

MSEK	2020	2019
NBSK PIX, USD	843	984
SEK/USD	9,20	9,46
NBSK, SEK	7 760	9 304
EBIT	-42	268

Operating profit

The Group's EBIT for 2020 fell to -42 (268) MSEK. The result was negatively affected by lower price levels for Rottneros' products in both currency and SEK. Higher volumes, pulp price hedging and lower costs for input goods contributed positively.

Expenses

Costs for raw materials and supplies decreased by 2 percent compared to the previous year due to lower input costs, mainly pulp wood.

Electricity costs, which are also included in raw materials and consumables, are affected by the price of electricity on the Nord Pool electricity exchange (area SE3), which averaged 0.26 (0.41) SEK per kW. The outcome of electricity price hedges, which are made against the system price, was -30 (49) MSEK. The Group's electricity costs increased by 21 MSEK compared with 2019.

Fixed costs and personnel costs were lower than last year, thanks to focused cost control. Planned depreciation increased in line with this year's investments and also includes write-downs of equipment.

Other income statement items

Other operating income decreased by 14 (28) MSEK. Net financial expenses decreased to 19 (21) MSEK because of interest expenses, primarily due to the 400 MSEK bond that Rottneros issued in August 2017.

Profit/loss after financial items

The Group's profit after financial items declined to -61(247) MSEK.

Income taxes

The income tax expense for 2020 was 11 (53) MSEK and the effective tax rate was 20 (20) per cent. The effective tax rate was in line with the previous year.

Net profit

The Group's net profit decreased to -50 (194) MSEK and earnings per share to -0.33 (1.27) SEK.

INVESTMENTS

The Group's investments in fixed assets during 2020 amounted to 116 (109) MSEK. The investments refer to both capacity and efficiency-enhancing equipment as well as environmental investments. No individual large investments were made during the year. The purpose is to maintain the technical standard that has been achieved through the large investments of recent years.

The new production record is proof that made investments and a focus on increased availability has had the desired effect.

In total, Rottneros has invested just over 1 000 MSEK in 2015-2020 in upgrading the pulp mills in Vallvik and Rottneros and a new factory on an industrial scale for Rottneros Packaging.

The annual investment rate is expected to be at a level of approximately 100 MSEK per year in the future. In addition to reinvestments, the focus will be on bottleneck eliminations, efficiency enhancements and environmental investments.

FINANCIAL POSITION

Fixed assets amounted to 1,285 (1,280) MSEK as of December 31, 2020. They increased compared with the previous year, mainly due to investments during the year and a lower value of long-term unrealized electricity price hedges. Of the Group's fixed assets, 94 (94) per cent are tangible fixed assets.

Current assets, excluding cash and cash equivalents, amounted to 642 (717) MSEK as of December 31, 2020 and consist of 55 (52) per cent of inventories and 45 (48) per cent of accounts receivable and other current receivables. Compared with the end of 2019, current assets decreased by 11 per cent mainly due to lower accounts receivable, while the value of the long-term unrealized electricity price hedges decreased. The Group's cash and cash equivalents amounted to 330 (376) MSEK at the end of the year.

In August 2017, Rottneros AB issued an unsecured bond loan of 400 MSEK with a maturity in 5 years to mainly Nordic institutional investors in order to complete the financing of the strategic plan Agenda 500 and long-term optimization of the Group's capital structure. The loan has a variable interest rate of STIBOR 3m + 4,15 per cent and will be repaid in September 2022. The loan has a framework amount of 600 MSEK, which provides an opportunity to call off further 200 MSEK. The loan is listed on Nasdaq Stockholm.

The loan terms contain the usual covenants in the form of net debt in relation to operating profit before depreciation at maximum of 3,5 equity / assets ratio of at least 50 per cent and dividend at a maximum of 50 per cent of the previous year's net profit.

Interest-bearing net debt at the end of the year was 81 (35) MSEK. Total granted but unutilized credit facilities on December 31, 2020 amounted to a total of 182 (182) MSEK.

The equity / assets ratio at the end of the year was 58 (58) per cent. Equity per share amounted to 8,53 (9,05) SEK. Taking into account the uncertainty that the effects of corona pandemic entailed, the AGM decided not to pay any dividends for 2019.

CASH FLOW

Cash flow from operating activities was 85 (462) MSEK. Cash flow was lower due to lower EBIT result but was somewhat positively affected by a change in working capital. Cash flow after investments for the year was -43 (353) MSEK.

Cash flow from financing activities amounted to -3 (-214) MSEK. During the year, no dividend was paid to shareholders 0 (214) MSEK.

The net cash flow for the year was -46 (138) MSEK.

PARENT COMPANY

The parent company's turnover for 2020 amounted to 8 (7) MSEK. The parent company's sales comprise intercompany revenue from administrative and operational management services. The parent company's profit after net financial items amounted to 40 (96) MSEK for 2020. This figure includes group contributions received/paid of 87 (96) MSEK.

FUTURE TRENDS

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

CONSOLIDATED BALANCE SHEET, SUMMARY

MSEK	2020	2019
Non-current assets	1 285	1 280
Current assets	642	717
Cash and cash equivalents	330	376
Total assets	2 257	2 373
Shareholders' equity	1 301	1 380
Interest-bearing liabilities	411	411
Non-interest-bearing liabilities	546	582
Total shareholders' equity and liabilities	2 257	2 373

CONSOLIDATED STATEMENT OF CASH FLOWS, SUMMARY

MSEK	2020	2019
Cash flow from operating activities	85	462
Cash-flow from investing activities	-128	-109
Cash flow after investments	-43	353
Cash flow from financing activities, excluding dividends	-3	-
Dividend paid	-	-214
Net cash flow for the year	-46	138

CHANGES IN MANAGEMENT

In January, Peter Sävelin took over as Factory Director for Vallvik Mill and Ola Thomasson as Factory Director for Rottneros Bruk. In June, Jens Hallendorff took over as site manager for Rottneros Packaging. At the same time, Nils Hauri began to focus entirely on innovations and strategic projects for the Group.

Arvid Svanborg was recruited as the new Purchasing Director during the autumn and will replace Ingemar Eliasson, who is retiring, from 1 January 2021.

AVERAGE NO. OF EMPLOYEES

The average number of employees amounted to 318 (303) in 2020. The increase is mainly due to the acquisition of Nykvist Skogs AB. The average employment period is approximately 13 (13) years and the average age is about 48 (47) years.

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

No significant events after the end of the financial year have been noted that would affect the financial statements as of 31 December 2020. After the end of the year, the Board has approved an environmental investment in Vallviks Bruk AB amounting to SEK 33 million, the investment is expected to affect the full financial year 2021.

For information on risks that the company faces, please refer to the section opportunities and risks, see pages 61-67.

Proposal for profit distribution

In its proposed appropriation of result, the Board has taken into account the company's financial position, cash flow and future prospects. The consolidated income statements and balance sheets will be submitted to the Annual General Meeting on April 28, 2021 for approval.

A detailed report on the Board's proposals for dividend is available at www.rottneros.com.

At the disposal of the Annual General Meeting are:

Retained earnings ¹	186 455 581
Net profit for the year	29 283 723
Total SEK	215 739 304

The Board proposes:

To be carried forward	215 739 304
Total SEK	215 739 304

1) After adjustment of repurchased shares in own custody.

The board of directors' proposal for guidelines for remuneration of executive managers and board members

SCOPE

These guidelines were adopted at the Annual General Meeting on June 24, 2020. Guidelines include Board members and Group management, which includes the President and other senior executives in Rottneros. The guidelines are forward-looking and should be applied to benefits that are agreed, and changes that are made to benefits already agreed. The guidelines do not cover such remuneration as is decided by the Annual General Meeting.

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

Rottneros's overall objective is to achieve sustainable profitability and yield a good return for the group's shareholders. To deliver this, Rottneros will offer the highest quality products and services that create clear added value in growing niches. Rottneros is continuously working on developing new products and applications for existing as well as new customer groups. Employee safety, high productivity in the mills and a first-class level of service to Rottneros's customers are of top priority. A prerequisite for a long-term successful and sustainable implementation of the company's business strategy is that the company is able to recruit and retain qualified personnel. To this end, it is necessary that the company offers competitive remuneration. These guidelines enable the company to offer the executive management a competitive total remuneration.

REMUNERATION TO EXECUTIVE MANAGEMENT**Types of remuneration etc.**

Rottneros shall offer remuneration in accordance with market practice which enables the recruitment and retention of qualified executives. Remunerations within Rottneros shall be based on principles of performance, competitiveness and fairness. The remuneration to the executive management may consist of fixed remuneration, variable remuneration, share and share-price related incentive programs, pension and other benefits. If local conditions justify variations in the remuneration principles, such variations may occur.

The fixed remuneration shall reflect the individual's responsibility and experience level. The fixed remuneration shall be reviewed annually. The variable cash remuneration may amount to a maximum of 50 per cent of the annual fixed salary for the CEO, and a maximum of 30 per cent of the annual fixed salary for other members of the executive management.

The variable cash remuneration covered by these guidelines shall aim at promoting the company's business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or promote the executive's long-term development.

Fulfillment of the criteria for awarding variable cash remuneration shall be measured over a period of one year. To which extent the criteria for awarding variable cash remuneration has been satisfied shall be evaluated/determined when the measurement period has ended. The board of directors is responsible for the evaluation so far as it concerns variable cash remuneration to the CEO. For variable cash remuneration to other executives, the remuneration committee is responsible for the evaluation. For financial objectives, the evaluation shall

be based on the latest financial information made public by the company.

For the CEO and other executive managers, pension benefits shall be premium defined and entitle the managers to pension from the age of 65. Variable cash remuneration shall qualify for pension benefits.

Other benefits may include, for example, life insurance, medical insurance (Sw. sjukvårdsförsäkring) and company cars. Such benefits shall not constitute a substantial part of the total remuneration.

Additional cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are limited in time and only made on an individual basis, either for the purpose of recruiting or retaining executives, or as remuneration for extraordinary work performance beyond the individual's ordinary tasks. Such cash remuneration shall be commercially justified, in proportion to the individuals fixed salary and not be paid more than once a year and per person. Any resolution on such remuneration shall be made by the board of directors based on a proposal from the remuneration committee.

In addition, general meetings may, if resolved, submit an offer of long-term incentive plans such as share- or share-price-related remuneration or incentive plans. Such plans are to be resolved by the general meeting and are therefore excluded from these guidelines.

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

CRITERIA FOR AWARDING VARIABLE CASH REMUNERATION, ETC.

The variable cash remuneration and remuneration awarded under potential cash-based incentive programs shall be linked to predetermined and measurable criteria which can be financial or non-financial. Fulfilment of the criteria for awarding short-term variable cash-based remuneration shall be measured for a period of one year.

They may also be individualised, quantitative or qualitative objectives. The criteria for short-term as well as long-term variable cash remuneration shall be designed so as to contribute to the company's business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or promote the executive's long-term development.

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

The board of directors shall have the possibility, under applicable law or contractual provisions, subject to the restrictions that may apply under law or contract, to in whole or in part reclaim variable remuneration paid on incorrect grounds.

REMUNERATION TO BOARD MEMBERS

Remuneration to board members for their work in the board of directors of Rottneros shall be resolved upon by the general meeting. The board of directors are only entitled to remuneration resolved by the general meeting. However, board members may receive additional remuneration for services board members provide to Rottneros within their respective areas of expertise

in addition to their duties as board members. Such remuneration shall be on market terms and based in a consultancy agreement approved by the board of directors.

EMPLOYMENT CONDITIONS

Salary and employment conditions for employees

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

Termination of employment

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

Decision-making process, amendments and deviations, etc.

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

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

Derogation from the guidelines

The board of directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's longterm interests, including its sustainability, or to ensure the company's financial viability. As set out above, the remuneration committee's tasks include preparing the board of directors' resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

REMUNERATION 2020

Salary and remuneration in 2020 to the company's senior executives have been in accordance with guidelines established by the 2020 Annual General Meeting. Salaries and remuneration to the CEO and other senior executives during 2020 are stated in Note 7 in the annual report. The variable remuneration in 2020 has been linked to annually set and measurable goals. Due to weak profitability, no variable remuneration has been paid for 2020.

Remuneration Report 2020

This report describes how the guidelines for executive remuneration of Rottneros AB, adopted by the annual general meeting 2020, were implemented in 2020. The report also provides information on remuneration to the CEO and a summary of the company's outstanding share-related and share price-related incentive plans. The report has been prepared in accordance with the Swedish Companies Act and the Remuneration Rules issued by the Swedish Corporate Governance Board.

Further information on executive remuneration is available in note 7 (Employees and personnel costs) on pages 90-92 in the annual report 2020. Information on the work of the remuneration committee in 2020 is set out in the corporate governance report available on page 72 in the annual report 2020.

Remuneration of the board of directors is not covered by this report. Such remuneration is resolved annually by the annual general meeting and disclosed in note 7 on page 92 in the annual report 2020.

Key developments 2020

The CEO summarizes the company's overall performance in his statement on pages 6-7 in the annual report 2020.

The company's remuneration guidelines: scope, purpose and deviations

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests,

including its sustainability, is that the company can recruit and retain qualified personnel. To this end, the company must offer competitive remuneration. The company's remuneration guidelines enable the company to offer executives a competitive total remuneration. Under the remuneration guidelines, executive remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. The variable cash remuneration shall be linked to financial or non-financial criteria. They may be individualized, quantitative or qualitative objectives. The criteria shall be designed to contribute to the company's business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or promote the executive's long-term development.

The guidelines are found on pages 58-59 in the annual report 2020. During 2020, the company has complied with the applicable remuneration guidelines adopted by the general meeting. No deviations from the guidelines have been decided and no derogations from the procedure for implementation of the guidelines have been made. The auditor's report regarding the company's compliance with the guidelines is available on www.rottneros.com/investors/corporate-governance/annual-general-meeting/. No remuneration has been reclaimed.

Total CEO remuneration in 2020 (kSEK)

Name of director (position)	1 Fixed remuneration		2 Variable remuneration		3	4	5	6
	Base salary**	Other benefits***	One-year variable	Multi-year variable*	Extraordinary items	Pension expense	Total remuneration	Proportion of fixed and variable remuneration****
Lennart Eberleh (CEO)	3 182	99	0	0	0	1 330	4 611	100/0

* No variable remuneration is paid for 2020. In Rottneros, there are no programs that are classified under multi-year variable remuneration.

** Including holiday pay of 314 kSEK

*** Car benefit

**** Pension costs (column 4), which fully refers to base salary and is classified as defined-contribution, have been reported as fixed remuneration

APPLICATION OF PERFORMANCE CRITERIA

The performance measures for the CEO's variable remuneration have been selected to deliver the company's strategy and to encourage behaviour which is in the long-term interest of the company. In the selection

of performance measures, the strategic objectives and short-term and long-term business priorities for 2020 have been taken into account. The non-financial performance measures further contribute to alignment with sustainability as well as the company values.

Performance of the CEO in the reported financial year: variable cash remuneration

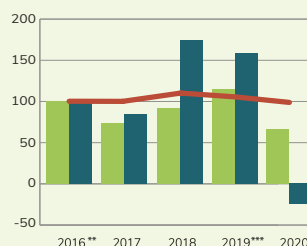
Name of director (position)	1 Description of the criteria related to the remuneration component	2 Relative weighting of the performance criteria	3 Measured performance	4 Actual award/ remuneration outcome
Lennart Eberleh (CEO)	EBIT 2020	30 %	52 %	0 KSEK *
	Production	40 %		0 KSEK *
	Fixed cost	30 %		0 KSEK *

* No outcome for 2020 due to a negative result after financial items.

COMPARATIVE INFORMATION ON THE CHANGE OF REMUNERATION AND COMPANY PERFORMANCE

Change of remuneration and company performance over the last five reported financial years

Index: 2016 = 100



CEO remuneration

Group operating profit

Average remuneration on a full time equivalent basis of employees*

* Excluding members of the group executive management.

** Regarding 2016, salary was paid to 2 CEOs.

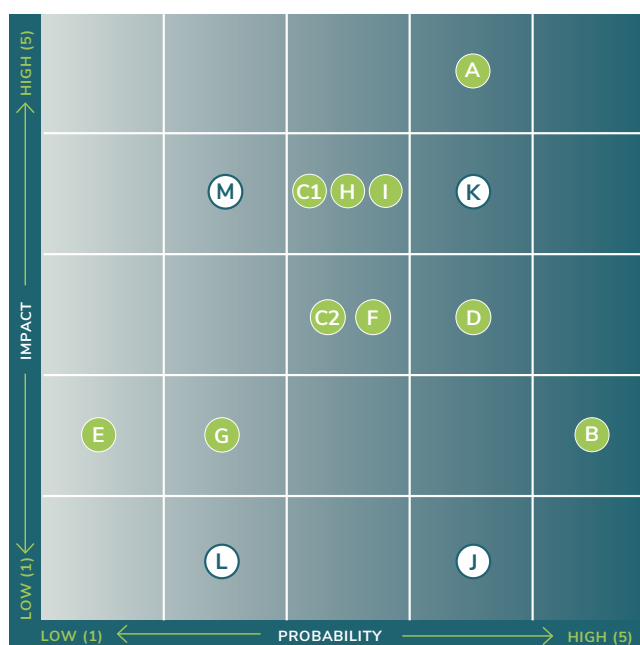
*** In 2019, a "stay-on bonus" of 2 MSEK was paid.

Balance in management of financial and operational risks

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

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

an overall level and by the CEO and Group management at an operational level. The risk management process includes, among other things, strategic business planning, conducting an on-going 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 Sustainability and accountability
- I Environment

FINANCIAL RISK AREAS

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

SENSITIVITY ANALYSIS, 2020

Type of risk	Change	Effect on profit/loss after financial items (MSEK)		Sensitivity
		2020	2019	
Pulp price	50 USD/tonne	125	120	High
USD	0,50 SEK/USD	65	65	High
Electricity prices	0,10 SEK/kWh	30	30	High
Pulp wood prices	20 SEK/m ³	30	30	High
Interest rate risk	1 %-unit	4	4	Low
Refinancing				Low
Credit risk				Low

Sensitivity calculations for each type of risk do not take into account the fact that actual changes will also affect other items. The effects of hedging or fixed-price contracts, if any, have not been taken into account either.

Probability and impact are assessed on the basis of a five-point scale where 1 is the lowest and 5 is the highest, see matrix on page 61.

Operational risk areas

RISK AREA	RISK MANAGEMENT
A Variations in pulp price <p>Pulp price risk means the risk of changes in pulp prices having a negative impact on the consolidated income statement and balance sheet.</p> <p>The pulp price is set in a global market and the price of Rottneros' products is dependent on how global demand for pulp products can be matched with the industry's production volume.</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 for the result but may have a negative impact on potential sales volumes.</p>	<p>The setting of prices in the pulp market is governed by international price levels that depend on demand and the global economy. Pulp price hedging is used when the price levels in long-term contracts are economically advantageous or when the market price is so low that further reductions may threaten the survival of the company. As a main rule, pulp prices are hedged in Swedish kronor.</p> <p>Rottneros develops product segments that involve more added value and that can substitute mass products in the long term. The objective is to reduce dependency on the list price for market pulp and thereby mitigate fluctuations in profitability over a business cycle.</p> <p>COMMENTS ON OUTCOME FOR 2020</p> <p>The pandemic has marked 2020. After the world market price for NBSK pulp fell sharply in 2019, a certain recovery was seen in early 2020. However, it stagnated, and the pulp price in USD was largely unchanged at a low level during the year. In line with a stronger SEK against the USD, the pulp price in SEK fell by 5 per cent during the year.</p> <p>During the year, the Group hedged 21 000 tonnes at an average price of 8 845 SEK per tonne, 14 percent above the market price expressed in SEK per tonne. The realized result of these pulp price hedges was 22 MSEK. At the end of December 2020, the Group held pulp hedges of 6 000 tonnes with a maturity period until June 2021 at an average price of 8 870 SEK per tonne.</p> <p>PULP PRICES NBSK IN USD AND SEK</p> <p>Legend: Pulp prices NBSK Europe in USD per tonne (dark blue line), Pulp prices NBSK Europe in SEK per tonne (light green line)</p>
B Structural change <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, board and specialty paper is strengthening.</p>	<p>Rottneros has focussed on growth in product segments in which the company can add value through its knowledge and high-quality pulp, in order to manage structural change in the industry. The objective is to reduce dependency on the list price for market pulp and thereby mitigate fluctuations in profitability over a business cycle. Rottneros also aims to increase sales of products other than pulp.</p> <p>COMMENTS ON OUTCOME FOR 2020</p> <p>The pandemic accentuated the structural changes. During the spring, the demand for writing and printing paper fell by up to 40 per cent to later recover somewhat. For the full year 2020, the decline is about 20 per cent, which is a doubling compared to previous years. Demand for tissue paper rose sharply in the spring, for the full year the increase is approx 7 per cent. Overall, demand for market pulp increased by 3 per cent.</p> <p>The pandemic also affected demand geographically. The Chinese market opened up faster and the share of market pulp to China increased by about 9 per cent during the year. Rottneros has reacted to the changes by changing the customer mix both between segments and geographically. See pages 10-15 for a more detailed description.</p> <p>MARKET PULP – GLOBAL CONSUMPTION BY APPLICATION</p> <p>Legend: Tissue paper (light green), Graphic paper (dark blue), Specialty paper and other (light blue), Fluff (teal), Packaging (grey)</p>

RISK AREA	RISK MANAGEMENT																		
C1 Access to raw material	Probability: 3 Impact 4																		
<p>Pulp wood supplies are crucial for a pulp producer. Rottneros does not have any forests of its own and is therefore dependent on an optimal flow of pulp wood to its pulp mills. Deliveries and customer relations would be in jeopardy if Rottneros were to be without pulp wood.</p>	<p>The Group ensures that it has a good, long-term relationship with those stakeholders in the vicinity of each mill to safeguard access to pulp wood. The state-owned Sveaskog and the forestry owners' association Mellanskog are the largest suppliers. 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 supplies of pulp wood and chips in order to increase flexibility. The goal is to carry an inventory of raw materials that is sufficient to cover two to three weeks of production.</p> <p>COMMENTS ON OUTCOME FOR 2020</p> <p>The supply of wood raw material has been good during the year. The slowdown in the economy has reduced demand for paper and packaging, which has led to lower demand for pulpwood. Sawn wood products have had a strong year, which has also meant that the supply of wood chips from sawmills has been good.</p> <p>To develop the raw material supply, Nykvist Skogs AB was acquired in January 2020. Through the acquisition, the Group's sourcing opportunities increase, among other things through access to raw materials from private forest owners.</p>																		
C2 Raw material prices	Probability: 3 Impact 4																		
<p>Price and price changes for pulp wood affect pulp producers. Higher prices for pulp wood have a negative impact on profit and Rottneros is unable to compensate for price increases on input goods.</p>	<p>The Group does not hedge against market price fluctuations, but long-term supply agreements provide some stability to prices. A price change of 20 SEK per m³ will affect the Group's annual profit by approximately 30 MSEK</p> <p>COMMENTS ON OUTCOME FOR 2020</p> <p>The price of wood raw material continued to fall during 2020. Supply has been good at the same time as demand from industry has decreased. The price trend for other inputs has also been favorable.</p> <p>The Group's raw material cost for pulp production for 2020 amounted to 805 (846) MSEK, which corresponds to 38 (36) per cent of net sales.</p>																		
D Electricity prices	Probability: 4 Impact 3																		
<p>Energy costs represent a substantial part of Rottneros' manufacturing costs. Increased energy prices may lead to increased production costs and have a negative impact on the Group's operating profit.</p> <table><thead><tr><th>Year</th><th>Percentage hedged,%</th><th>SEK/kWh</th></tr></thead><tbody><tr><td>2021</td><td>100</td><td>0,265</td></tr><tr><td>2022</td><td>91</td><td>0,305</td></tr><tr><td>2023</td><td>86</td><td>0,309*</td></tr><tr><td>2024</td><td>57</td><td>0,310</td></tr><tr><td>2025</td><td>57</td><td>0,313</td></tr></tbody></table> <p>* All electricity price hedges are against the system price, except in 2023 when 63 % of the hedged volume is against electricity area SE3</p>	Year	Percentage hedged,%	SEK/kWh	2021	100	0,265	2022	91	0,305	2023	86	0,309*	2024	57	0,310	2025	57	0,313	<p>All external electricity for the mills is purchased directly via the Nord Pool electricity exchange. Electricity prices are quoted in EUR. A price change of 0,10 SEK per kWh will affect the Group's annual profit by approximately 30 MSEK, in the absence of any electricity price hedges. Future electricity prices are hedged in advance according to a set strategy to protect Rottneros' future electricity costs against major fluctuations and achieve a predictable electricity price. The Board of Directors approves hedging levels based on proposals from senior management. The Board also approves new financial counterparties.</p> <p>NORD POOL ELECTRICITY PRICE (AREA SE3) IN SEK PER KWH</p> <p>SEK/MWh</p> <p>COMMENTS ON OUTCOME FOR 2020</p> <p>The average price level for electricity in Nord Pool electricity area SE3 in 2020 amounted to 0,22 (0,41) SEK per kWh. At the same time, the system price amounted to 0,11 (0,31) SEK per kWh. Despite low electricity prices, the total electricity cost has been high in 2020. The Group's electricity price hedges are against the system price, which resulted in a realized loss of -30 (49) MSEK.</p> <p>Electricity consumption for the Group decreased by 3 percent during the year. The Group's electricity cost, adjusted with hedging results, amounted to 100 (80) MSEK for 2020. At the end of 2020, there were electricity price hedges according to the following table. The table shows the hedged share of estimated total consumption, as well as the hedged average price in SEK/kWh.</p>
Year	Percentage hedged,%	SEK/kWh																	
2021	100	0,265																	
2022	91	0,305																	
2023	86	0,309*																	
2024	57	0,310																	
2025	57	0,313																	

RISK AREA	RISK MANAGEMENT
E Customer structure and customer credit	Probability: 1 Impact 2
<p>A high dependency on a small number of major customers, industries or geographical markets may have a significant impact on revenue if a major customer or industry were to have problems.</p> <p>The risk that the Group's customers will not be able to meet their payment obligations constitutes a credit risk that can have a major negative impact if the credit is not insured or guaranteed.</p>	<p>Rottneros considers that the Group has a good diversification of commercial risk with around 200 customers, of which the ten largest together represent approximately 40 per cent of turnover. Printing paper customers account for approximately 25 per cent of revenue, which in the long term may constitute too high a proportion considering the long-term structural changes occurring in the market.</p> <p>Geographically, the Rottneros Group is not dependent on the market in any particular country. Most of the Group's turnover is generated in Europe, where Sweden, Norway, Germany and Italy represent the largest markets.</p> <p>Credit risk is managed at a Group level. Credit risk arises through cash and cash equivalents, derivative instruments and deposits at banks and financial institutions, and through credit exposures to customers. With few exceptions, business risk relating to accounts receivable is insured through credit insurance with a ten per cent excess.</p> <p>COMMENTS ON OUTCOME FOR 2020</p> <p>The Group has around 200 customers and the maximum credit risk on outstanding accounts receivable at the end of 2020 amounted to SEK 22 (30) million.</p> <p>Historically, the Group has had small credit losses. In 2020, the Group's largest customer accounted for 7 (7) percent of sales.</p>
F Facilities	Probability: 3 Impact 3
<p>Rottneros has two large production facilities that conduct continuous production. Industrial injuries, machinery breakdowns, fires and other accidents may result in extended production shutdowns, damage to the facility and delivery problems.</p>	<p>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 increase quality, safety and environmental performance.</p> <p>The Rottneros Group holds annual maintenance shutdowns to ensure a high and even rate of production. Maintenance shutdowns are carefully planned to minimise downtime. In addition, preventive maintenance is carried out regularly. Rottneros insures all of its facilities against property damage and business interruption and also has relevant liability insurance.</p> <p>The insurance companies conduct annual audits of the Group's facilities and make recommendations for improvements and reduction of risks.</p> <p>Despite significant investments in 2015-2020, Rottneros 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. At the end of 2020, the Group's property, plant and equipment had a book value of 1 203 (1 198) MSEK. The replacement cost is much higher.</p> <p>COMMENTS ON OUTCOME FOR 2020</p> <p>During 2020, maintenance stops were carried out during the second quarter in Rottneros Mill and during the fourth quarter in Vallviks Mill. Review and procurement of insurance takes place annually.</p>
G Political decisions	Probability: 2 Impact 2
<p>Political decisions to change environmental legislation may have a negative impact on production at the Group's pulp mills, restrict access to raw timber, or change various support systems such as trade with emission allowances and electricity certificates</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 and the rest of Europe. 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. Rottneros works to constantly improve the production process and the goal is that all investments in the mills will also benefit the environment.</p>

RISK AREA	RISK MANAGEMENT
<p>H Sustainability and accountability</p> <p>Inadequate responsibility relating to sustainability issues could harm trust in the company and the brand, thereby having a negative impact on the company's profitability.</p> <p>To achieve sustainable profitability and value creation Rottneros must simultaneously create value for those stakeholders who are affected by the Group's operations. See also the sustainability report on pages 34–55.</p>	<p>Probability: 3 Impact 4</p> <p>Rottneros shall run its business responsibly with respect to the external and internal environment, society, our customers and suppliers, our shareholders and our employees. Trust in Rottneros as a responsible participant, supplier and employer strengthens our position in society and in the market, and promotes employee commitment. Rottneros communicates regularly with its stakeholders to maintain an open and positive relationship.</p> <p>Rottneros endeavours to make its products better, both from a quality and efficiency perspective, by understanding the customers' processes and product strategy. Environmental, social and economic factors are crucial to this success.</p> <p>The Group has a sustainability policy describing Rottneros' responsibility regarding shareholders, customers, suppliers, environment, society, personnel and the work environment, and human rights, as well as anti-corruption and competition law.</p> <p>The Group has a Code of Conduct describing how Rottneros and the Company's employees act in relation to the surrounding world and towards each other. The Code of Conduct defines Rottneros' social responsibility, ethical commitment and position in respect of gender equality and diversity issues, as well as the approach that Rottneros' employees should adopt on issues of principle importance.</p> <p>Employee well-being is an important part of Rottneros' success. The Group takes responsibility towards employees by promoting good health, environment and safety in the workplaces Rottneros has a zero target regarding occupational injuries leading to sick leave.</p> <p>COMMENTS ON OUTCOME FOR 2020</p> <p>Rottneros is part of the circular society and contributes with wood-based, renewable and recyclable products. Rottneros continues to develop new uses for its products that contribute to a more sustainable development in society.</p> <p>Rottneros Packaging produces recyclable and degradable fibre trays. In October, our molded trays of fresh fibre were launched for ready meals in grocery stores in Sweden and other countries in Europe.</p> <p>With the goal that all employees would have completed the web-based training in our code of conduct in 2020, 97 percent had taken part in it by the end of the year.</p> <p>During 2020, 8 (9) accidents occurred which led to a total of 11 (17) sick leave days.</p>
<p>I Environment</p> <p>Rottneros' activities have an impact on the environment.</p> <p>Extensive environmental legislation governs Rottneros' operational area, and its activities require permits that need to be renewed periodically.</p> <p>There is a risk of permits granted being exceeded, which may not only entail production restrictions or the need for investments, but also criminal penalties or the revocation of permits.</p> <p>There is also a risk of environmental legislation being amended, which may affect Rottneros' activities. No such changes are known at the current time. See also the environment section on pages 34–55.</p>	<p>Probability: 3 Impact 4</p> <p>Good management of environmental issues represents a fundamental and important issue for the Board of Directors and corporate management, for which reason ongoing debriefing takes place monthly, half-yearly and annually. Both of the Group's mills have environmental management systems and are certified according to ISO 14001. The environmental management system includes well-established routines for follow-up, taking samples and dealing with deviations.</p> <p>The Group has a continuous sampling system with alarm functions linked to the mills' control systems to detect and prevent any infringements of applicable provisions and requirements. Random manual samples are taken in addition to this.</p> <p>According to the Group's policy, all employees in relevant positions must have the necessary expertise in the environmental field. Senior environmental staff within the Group undertake continuous professional training. Ongoing communications take place with county administrative boards and municipal authorities. Compliance consultation meetings are to be held with the county administrative board four times a year, to which the municipal authority will also be invited to attend.</p> <p>COMMENTS ON OUTCOME FOR 2020</p> <p>Vallviks Bruk improved its environmental performance during the year. Emissions to water and air decreased. The self-sufficiency rate of electricity increased and purchases of fossil fuels decreased.</p> <p>Rottneros Mill continued to work with equipment that was taken into use in 2018, mainly a biofuel boiler and biological purification of the process water.</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 7 of the Annual Report. The factors that have the greatest impact on the Group's result are associated with the price of pulp in USD, exchange rates and pulp wood and electricity prices.

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

and also makes decisions on all long-term financing. The Board of Directors approves hedging levels based on proposals from senior management.

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

RISK AREA	RISK MANAGEMENT
J Currency – Balance exposure	Probability: 4 Impact 1
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.	Rottneros' pulp mills and assets are 99 per cent in Sweden and other than the currency risk related to operating transactions, balance exposure is very low.
K Currency – Transaction exposure	Probability: 4 Impact 4
Transaction exposure is the risk of exchange rate fluctuations in export revenue and import costs having a negative impact on operating profit.	<p>Most invoices are issued in USD, EUR and SEK. The Rottneros Group's assets and liabilities are valued in SEK. The central finance function is responsible for proactively monitoring and managing the Group's exchange rate exposure and ensuring that actual risk exposure is identified and managed.</p> <p>COMMENTS ON OUTCOME FOR 2020 The underlying exposure to the USD is high and the direct inflow of USD corresponded to about 50 percent of sales. The inflow in EUR about 33 per cent while the Group has costs in EUR, which reduces the exposure. As of December 31, 2020, the Group has no exchange rate hedges.</p>
L Interest	Probability: 2 Impact 1
Interest rate risk comprises the exposure of the Group's financial assets and financial liabilities with a variable interest rate.	<p>In August 2017, Rottneros issued a bond of 400 MSEK which runs over 5 years. The Group's borrowing is presented in note 20 of the Annual Report. Interest rate risk relates primarily to the variable interest rate of the bond and the return on cash and cash equivalents.</p> <p>COMMENTS ON OUTCOME FOR 2020 The bond loan of 400 MSEK has a variable interest rate. A change of 1 percentage point in the interest rate level affects the Group's earnings by 4 MSEK on an annual basis. Cash and cash equivalents as of December 31, 2020 amounted to 330 (376) MSEK. Interest income on cash and cash equivalents is not material.</p>

RISK AREA	RISK MANAGEMENT
(M) Liquidity and refinancing	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. 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 take on new debt, change the dividend paid to shareholders, repay capital to shareholders, issue new shares or sell assets to reduce its debts in order to maintain or adjust its capital structure. The Group assesses its capital on the basis of its debt/equity ratio. This key ratio is defined as net debt/cash as a percentage of shareholders' equity.</p> <p>COMMENTS ON OUTCOME FOR 2020</p> <p>In August 2017, Rottneros AB issued an unsecured bond loan of 400 MSEK with a maturity of 5 years to mainly Nordic institutional investors. The loan has a variable interest rate of STIBOR 3m + 4,15 per cent and will be repaid in September 2022. The loan has a framework amount of 600 MSEK, which provides an opportunity to call off an additional 200 MSEK. The loan is listed on Nasdaq Stockholm. The loan terms contain customary so-called covenants in the form of net debt in relation to operating profit before depreciation maximum 3,5, equity / assets ratio at least 50 per cent and dividend a maximum of 50 per cent of the previous year's net profit. At the balance sheet date, these covenants were met.</p> <p>Granted and unutilized credits amounted to 182 MSEK at the end of the year. At the end of 2020, the Group's liquidity reserve amounted to 24 (23) per cent of sales, where the target is "at least 10 per cent".</p> <p>The Group's net debt at the end of 2020 amounted to 81 (35) MSEK and the debt / equity ratio to 6 (3) per cent.</p>

Corporate governance at Rottneros

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

PRINCIPLES FOR CORPORATE GOVERNANCE

Rottneros applies the rules prescribed by law or other enactment, and also the Code. Rottneros applied the Code without deviations in 2020.

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, the Sustainability Policy, the Environmental and Energy Policy, the Anti-Corruption Policy, the Competition Policy, the Insider Policy and the Diversity 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 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 do not have any specific provisions on the appointment and dismissal of Board members or on amendments to the Articles of Association.

Each shareholder has the right to participate in the AGM, either in person or through an authorised proxy. Each shareholder has the right to raise issues to be addressed at the AGM. Notices of meetings and other information prior to AGMs/general meetings are available on Rottneros' home page. Minutes, the CEO's presentation and other material is also available here.

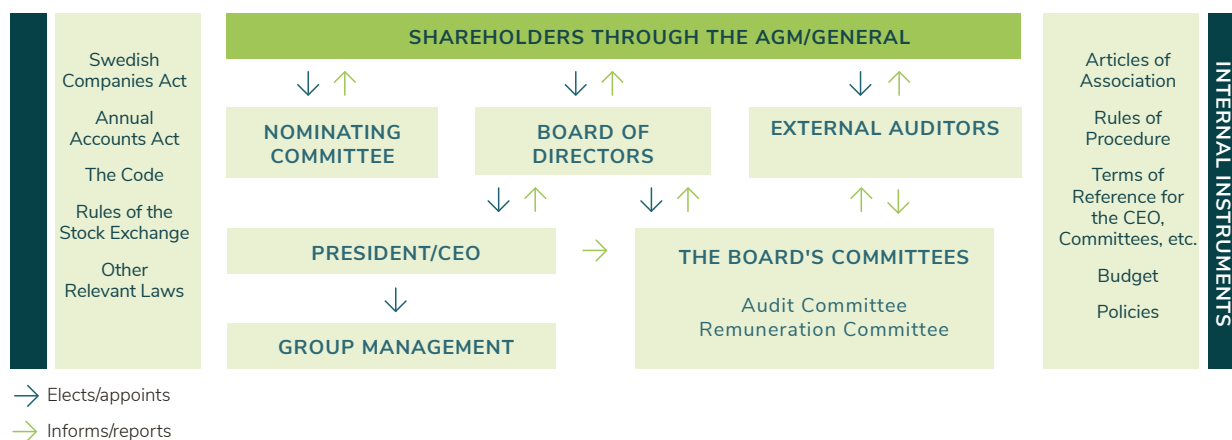
SHAREHOLDERS

Rottneros' ordinary shares have been listed on Nasdaq Stockholm since 1987. According to the share register kept by Euroclear Sweden, Rottneros had 13 407 shareholders on 31 December 2020. The share capital amounted to 153 393 890 SEK, divided among 153 393 890 ordinary shares, each carrying equal voting rights and equal rights to the company's profit and capital. The Articles of Association contain no restrictions on the number of votes each shareholder can cast at a general meeting.

Arctic Paper S.A. had a participating interest amounting to 51.0 per cent of the total number of shares and votes on 31 December 2020. 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 shares, corresponding to around 0.54 per cent of the total number of shares. See pages 106–107 for additional information about the share, shareholders, etc. Information is also available on the company's website.

Structure for corporate governance



2020 ANNUAL GENERAL MEETING

Rottneros held its 2020 AGM on 24 June 2020 in Karlstad. The meeting was attended physically, by proxy or by advance vote 40 of the Company's shareholders representing 60.9 per cent of the company's votes and capital (excluding by Rottneros repurchased shares). The meeting was attended by Per Lundeen, Chairman of the Board, as well as the CEO. In addition, the company's auditor participated digitally at the meeting.

Among other things the AGM passed the following resolutions:

- The AGM resolved to discharge the Board of Directors and Chief Executive Officer from liability for the 2019 financial year.
- The Annual General Meeting resolved in accordance with the Board's proposal and the auditors' approval that the funds available to the Annual General Meeting be transferred to a new account and that no dividend be paid.
- The board shall consist of five ordinary members.
- Marie S. Arwidson, Ulf Carlson, Per Lundeen, Roger Mattsson and Conny Mossberg were re-elected as members.
- Per Lundeen was re-elected to serve as Chairman of the Board.
- A fee of 550 000 SEK should be paid to the Chairman of the Board and 275 000 SEK to each of the other directors. Additionally, a fee of 20 000 SEK should be paid to each of the members of the Audit Committee and 10 000 SEK to each of the members of the Remuneration Committee. Each employee representative will be paid a fee of 27 500 SEK. Fees to the auditors are paid in accordance with an invoice approved by the CEO.
- The registered auditing company KPMG AB was re-elected as the company's auditor until and including the 2021 AGM, with Sven Cristea as the principal auditor.
- In accordance with the Board's proposal, the AGM resolved to establish guidelines for remuneration to the CEO and other senior executives. These mean, among other things, that the remuneration shall consist of a fixed salary, any variable salary component, other benefits and a pension. Rottneros shall offer a market-based total compensation that enables qualified senior executives to be recruited and retained. The variable cash compensation must be linked to predetermined and measurable criteria that can be financial and non-financial.

NOMINATING COMMITTEE

Rottneros' AGM decides on the principles for the appointment of the Nomination Committee. The Nominating Committee shall comprise the Chairman of the Board and two additional members. The Chairman of the Board may not be Chairman of the Committee. One of these two members, in addition to the Chairman of the Board, must be appointed by the company's largest shareholder and the other shall be appointed by one of the company's other four largest shareholders. Neither of these two members may be a Board member at the same time. The Nominating Committee appoints a Chairman from within its ranks. It is the responsibility of the Chairman of the Board to ensure that members are appointed as stated above. The principles also include a procedure for remuneration of a member who leaves the Nomination Committee prematurely or when a member represents shareholders who no longer belong to the five shareholders with the largest number of votes.

The names of members of the Nominating Committee shall be presented at least six months prior to the 2021 AGM. The composition of the Nomination Committee from time to time shall be published on Rottneros website. A press release with information on the composition of the Nomination Committee and how shareholders can submit proposals to the Nomination Committee was published on 21 October 2020 and has been held available on Rottneros' website. Julia Onstad, appointed by Arctic Paper S.A., was appointed chairman of the Nomination Committee, and Stefan Sundh, appointed by PROAD AB, and Per Lundeen, Chairman of the Board of Rottneros AB, were appointed as other members.

Together, the Nomination Committee represents approximately 58.2 per cent of the voting rights for all shares in Rottneros.

The Nomination Committee shall submit proposals for resolutions to the 2020 AGM regarding the election of the Chairman of the Annual General Meeting, number board members and deputies, election of chairman and other members of the board, board fees and remuneration for committee work, election and remuneration of auditors, and, where applicable, amendments to the instructions for the Nomination Committee.

The Board has established a special diversity policy seeing the composition of the board. The policy is available on Rottneros' website.

AUDITORS

Rottneros' auditors are elected at the AGM. At the 2020 AGM, KPMG AB was re-elected as the company's auditor up until the end of the 2021 AGM, with authorised public accountant Sven Cristea 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 2020 AGM. The auditor attends the AGM to present the auditor's report. Fees for the auditor for 2020 are presented in Note 5 of the Annual Report.

BOARD OF DIRECTORS

Composition and fees of the Board

According to the Articles of Association, the Board of Directors of Rottneros shall comprise a minimum of three and a maximum of ten members elected by the AGM. In addition, the employees elect two representatives with two deputies. The Board of Rottneros comprises five members without deputies elected at the AGM, as well as two members and two deputies appointed by the employees. The CEO is not a member of the Board but is called in to all Board meetings, except when the agenda includes an evaluation of the work of the Board and the CEO. Other officials of the company are also called in when necessary to present matters. The table on page 71 shows the composition of the Board in 2020 as well as remuneration paid to Board members for 2020 and 2018, respectively. Additional information about the Board members is presented on page 104.

Evaluation of the Board's work

The Board of Directors annually conducts a systematic evaluation where members are given an opportunity to present their views on work arrangements, Board material, their own and other members' contributions to the Board's work. The purpose is to improve the work of the Board and also to furnish the Nominating Committee with relevant decision guidance documentation prior to the AGM.

Independence

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

Rottneros' Board of Directors is considered to have met the requirements of the Code regarding independence, since two of the Board members elected at the AGM are considered independent of both the company and executive management and of the company's major shareholders. All directors elected by the AGM have been independent of the Company and its management in 2020, with the exception of Board member Per Lundeen, since he served as CEO of the company from 6 November 2014 until 1 September 2016.

Board work and responsibilities

The Board of Directors oversees the work of the CEO and is responsible for ensuring that the organisation, management and guidelines for managing the company's funds are appropriate. The Board is also responsible for ensuring that the company is organised in such a way that its internal control is appropriate, that appropriate systems are monitoring the business and its risks, and that the company is in compliance with laws, rules and internal guidelines. 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 24 June 2020 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 or the CEO.

In 2020, 15 board meetings were held. From March to June, six special board meetings were held to discuss the effects of the pandemic.

The Board's work follows a pre-established plan with certain fixed decision points during the financial year:

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

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

COMPOSITION OF THE BOARD AND ATTENDANCE 2020

Amounts in TSEK		Dependence	Total fees, 2020/2021 ⁴	Total fees, 2019/20 ⁴	Attendance 2020 ¹	
					Board meetings, %	Committee meetings, %
Per Lundeen ^{2,3}	Chairman	X	580	580	100	100
Marie S. Arwidson			295	295	100	100
Ulf Carlson			305	305	100	100
Roger Mattsson ³		X	295	295	100	100
Conny Mossberg ³		X	285	285	100	100
Dan Karlsson ⁵	Employee representative/deputy		28	28	92	–
Mika Palmu	Employee representative		28	28	93	–
Gun-Marie Nilsson ⁶	Employee representative/deputy		28	28	100	–
Jörgen Wasberg	Employee representative/deputy		28	28	100	–
Jerry Solhberg ⁷	Employee representative/deputy		28	–	100	–

1) For the employee representatives, attendance applies for the time they have been elected to the board

2) Per Lundeen is dependent in relation to the company and the company management, as he was CEO of the company during the period 6 November 2014 to 1 September 2016.

3) Depending on the company's largest owner, Arctic Paper S.A.

4) Including remuneration for committee work.

5) Ordinary employee representative until May 2020, thereafter deputy until September 2020.

6) Deputy until May 2020 and regular employee representative from June 2020

7) Deputy from September 2020

FINANCIAL POLICY ISSUES

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

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

THE BOARD'S CONTROL OF FINANCIAL REPORTING

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

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

Audit Committee

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

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

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

The company's auditor in charge and representatives of the accounting firm are co-opted for most of the meetings. Senior executives are also co-opted for meetings when appropriate. Since the 2020 AGM the Committee has consisted of Board members Marie S. Arwidson, Ulf Carlson, Per Lundeen and Roger Mattsson. Marie S. Arwidson is Chairwoman of the Committee.

The Audit Committee held four meetings in 2020 and the Board receives regular reports from the meetings. The auditors have been present at all meetings of the Audit Committee.

REMUNERATION COMMITTEE

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

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

Since the 2020 AGM the Committee has consisted of Ulf Carlson, Per Lundeen and Conny Mossberg. Per Lundeen is Chairman of the Committee.

The committee has had four meetings in 2020 and the board has been informed of the remuneration committee's work.

CEO/PRESIDENT

The CEO's responsibility as stipulated by the rules of the Swedish Companies Act and other legislation is to manage the company's day-to-day business according to the Board's guidelines and instructions and to take the measures necessary to ensure that the company's bookkeeping is managed in a satisfactory manner. The CEO also ensures that the Board receives the information it needs on an ongoing basis to monitor the company's and the Groups' financial situation, position and development in a satisfactory way and to otherwise fulfil its reporting obligations with respect to the company's finances.

The company's CEO manages the business within the

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

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

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

GROUP MANAGEMENT

The CEO leads the Group management's work and makes decisions in consultation with others in the management. In 2020, this consisted of the CEO and eight other people: two factory directors, a site manager, finance and finance director and four chiefs of staff. Information about the CEO and Group Management can be found on page 105 in the annual report for 2020.

Group management has regular operations times under the CEO's management. The work is carried out at monthly meetings of a full-day nature and for shorter reconciliations every week. Group management also needed more frequent reviews during the corona pandemic, to manage risks and plan any action.

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 2019 (included in the Annual Report for the respective year)

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

The Board of Directors is responsible for internal control in accordance with the Swedish Companies Act and the Code. According to the Swedish Annual Accounts Act, the Corporate Governance Report shall include information about the most important elements of the company's system for internal control and risk management in conjunction with financial reporting. Rottneros' internal control structure is predominantly based on the COSO model, according to which reviews and assessments are made in the following areas: control environment, information and communication, risk assessment, control activities and follow-up.

Control environment

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

The CEO and Group management, who report to the Board in accordance with established procedures, are responsible for

maintaining an effective control environment and the day-to-day internal control and risk management work. Managers at various levels within the company have the same responsibility within their respective areas of responsibility and in turn report to Group management.

Information and communication

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

Risk assessment

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

Control activities

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

Through the Audit Committee, the Board of Directors monitors the reliability of the financial reporting, evaluates recommendations for improvement and discusses issues relating to the identified risks. The Audit Committee presents regular oral reports to the Board and makes recommendations on matters that require a decision from the Board. The control environment has been created through shared values, corporate culture, rules and policies, communication and follow-up, as well as the way in which the business is organised. The main tasks of Group staff are to implement, further develop and maintain the Group's control procedures and also to introduce internal control routines aimed at business-critical issues.

Rottneros' auditors examine 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.

Rottneros' Group-wide finance function is represented locally at each company and reports via a Group-wide reporting system. The finance function has regular meetings and a close cooperation in matters concerning the annual accounts and reporting.

INTERNAL AUDIT FUNCTION

Rottneros has not had any reason to establish an internal audit function to date. The Board of Directors is of the opinion that the business does not need such a function. Instructions are available and an ongoing evaluation is conducted to ensure that officers at the organisation have the competence and support resources required to perform their work concerning the production of financial reports.

WHISTLE BLOWER SERVICE

Rottneros wants to maintain an open business climate and a high level of business ethics. The whistleblower service is an "early warning system" and important for safeguarding good corporate governance, eliminating risks and maintaining customers' and the public's trust in the Group.

The whistleblower service can be used anonymously to provide information about something you believe may seriously affect the organization or a person's life or health. Reporting can also be about not following values and ethical principles at the company.

To ensure anonymity, the service is handled by an external party, via which feedback to the notifier also takes place. The channel is encrypted and password protected and all messages are treated confidentially.

Received cases go to two people appointed by the CEO, CFO and HR Director ("Case Manager"). Matters are handled without delay and reported to the CEO or the Chairman of the Board in cases where matters concern the CEO. The number of cases received is reported to the Audit Committee on a quarterly basis. If the need arises and the integrity of all parties can be ensured, a more detailed reporting can also be made.

The background is a solid teal color with a faint, blurred industrial image. On the left, a large circular object, possibly a wheel or a part of a machine, is visible. On the right, there is a rectangular label with the number '14' and the word 'KOKA' below it. The overall aesthetic is modern and professional.

FINANCIAL REPORTING

Consolidated statements of income

CONSOLIDATED INCOME STATEMENT 1 JANUARY - 31 DECEMBER

Amounts in MSEK	Note	2020	2019
NET TURNOVER	1, 2	2 093	2 376
Change in inventories, finished goods		-31	-8
Other operating income	3	14	28
Operating income, total		2 076	2 396
Raw materials and consumables	4	-1 200	-1 223
Other external costs	5	-513	-528
Employee benefit expenses	7	-267	-271
Other operating expenses		-19	0
EBITDA (operating profit/loss before depreciation/amortisation and impairment)		77	374
Depreciation/amortisation and impairment losses	10, 11	-119	-106
EBIT (operating profit/loss)		-42	268
Financial income	8	0	0
Financial expenses	8	-19	-21
Total financial items		-19	-21
PROFIT/LOSS AFTER FINANCIAL ITEMS		-61	247
Tax on profit for the year	9	11	-53
NET INCOME		-50	194
Average number of shares (thousand shares) ¹		152 572	152 572
EARNINGS PER SHARE (SEK)¹		-0,33	1,27

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 1 JANUARY – 31 DECEMBER

Amounts in MSEK	Note	2020	2019
NET INCOME		-50	194
OTHER COMPREHENSIVE INCOME			
Items that have been or may be transferred to profit or loss for the period			
Changes in value of cash flow hedges	18	-36	-77
Income tax effect on changes in value		8	17
Translation differences		-1	0
TOTAL OTHER COMPREHENSIVE INCOME		-29	-60
COMPREHENSIVE INCOME²		-79	134

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

Consolidated balance sheet

CONSOLIDATED ASSETS, 31 DECEMBER

Amounts in MSEK	Note	2020	2019
Non-current assets			
Intangible assets	10	30	13
Property, plant and equipment	11	1 203	1 198
Derivatives	6	2	20
Other financial assets	12	50	49
Total non-current assets		1 285	1 280
Current assets			
Inventories	14	355	375
Accounts receivable	15	287	267
Derivatives	6	0	36
Other current receivables	16	0	39
Cash and cash equivalents	17	330	376
Total current assets		972	1 093
TOTAL ASSETS		2 257	2 373

CONSOLIDATED SHAREHOLDERS' EQUITY AND LIABILITIES, 31 DECEMBER

Amounts in MSEK	Note	2020	2019
Shareholders' equity	18		
Share capital		153	153
Other injected capital		730	730
Treasury shares		-69	-69
Other reserves		9	38
Retained earnings, incl. net income for the year		478	528
Total shareholders' equity		1 301	1 380
Long-term liabilities			
Interest-bearing liabilities	19	411	411
Deferred tax liability	9	105	135
Other non-interest-bearing liabilities		45	41
Total non-current liabilities		561	587
Current liabilities			
Accounts payable	20	204	202
Derivatives	6	0	0
Other non-interest-bearing liabilities	21	191	204
Total current liabilities		395	406
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2 257	2 373

Consolidated statement of changes in shareholders' equity

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2020

Amounts in MSEK	Share capital	Other injected capital	Treasury shares	Other reserves		Retained earnings, incl. net income for the year	TOTAL SHAREHOLDERS' EQUITY
				Hedging reserve	Translation difference		
Opening balance, 1 January 2020	153	730	-69	46	-8	528	1 380
Comprehensive income							
Net income	-	-	-	-	-	-50	-50
Other comprehensive income							
Cash flow hedging, profit/loss after tax	-	-	-	-28	-	-	-28
Exchange rate differences	-	-	-	-	-1	-	-1
Total other comprehensive income	-	-	-	-28	-1	-	-29
Total comprehensive income	-	-	-	-28	-1	-50	-79
Transactions with shareholders							
Dividends to shareholders	-	-	-	-	-	-	-
CLOSING BALANCE, 31 DECEMBER 2020	153	730	-69	18	-9	478	1 301

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY 2019

Amounts in MSEK	Share capital	Other injected capital	Treasury shares	Other reserves		Retained earnings, incl. net income for the year	TOTAL SHAREHOLDERS' EQUITY
				Hedging reserve	Translation difference		
Opening balance, 1 January 2019	153	730	-69	106	-8	548	1 460
Comprehensive income							
Net income	-	-	-	-	-	194	194
Other comprehensive income							
Cash flow hedging, profit/loss after tax	-	-	-	-60	-	-	-60
Exchange rate differences	-	-	-	-	0	-	0
Total other comprehensive income	-	-	-	-60	0	-	-60
Total comprehensive income	-	-	-	-60	0	194	134
Transactions with shareholders							
Dividends to shareholders	-	-	-	-	-	-214	-214
Closing balance, 31 December 2019	153	730	-69	46	-8	528	1 380

Consolidated statements of cash flows

CONSOLIDATED STATEMENTS OF CASH FLOWS 1 JANUARY - 31 DECEMBER 2020

Amounts in MSEK	Note	2020	2019
EBIT		-42	268
Adjustment for items not included in cash flow			
Depreciation/amortisation and impairment losses	10, 11	119	106
Other items not affecting cash flow		0	3
EBIT adjusted for items not affecting cash flow		77	377
Financial items received		0	0
Financial items paid		-19	-21
Received / paid tax		2	
Cash flow from operating activities before changes in working capital		60	356
Change in working capital			
Change in inventories		21	14
Change in current receivables		60	110
Change in current liabilities (non-interest-bearing)		-56	-18
Total changes in working capital		25	106
CASH FLOW FROM OPERATING ACTIVITIES		85	462
Investments in intangible assets	10	-1	-2
Investments in property, plant and equipment	11	-115	-107
Change in current loan receivables		3	-
Acquired subsidiary	11	-15	
CASH FLOW FROM INVESTING ACTIVITIES		-128	-109
Bond issue	19	-	-
Borrowings, non-current bank loans	19	-	-
Amortisation, non-current bank loans	19	-3	-
Change in credit facilities	19	-	-
Dividend paid		-	-214
CASH FLOW FROM FINANCING ACTIVITIES		-3	-214
NET CASH FLOW		-46	138
Cash and cash equivalents at the beginning of the year		376	238
Cash and cash equivalents at the end of the year	17	330	376
Granted and unutilised credit facilities	19	182	182

Statements of income – Parent Company

PARENT COMPANY INCOME STATEMENT 1 JANUARY - 31 DECEMBER

Amounts in MSEK	Note	2020	2019
NET TURNOVER	1, 2	8	7
Other operating income	3	9	65
Operating income, total		17	72
External costs	5	-17	-18
Employee benefit expenses	7	-24	-30
EBITDA (operating profit/loss before depreciation/amortisation and impairment)		-24	24
Depreciation/amortisation and impairment losses	10, 11	-4	-4
EBIT (operating profit/loss)		-28	20
Profit from participations in Group companies	8	87	96
Financial income	8	0	1
Financial expenses	8	-19	-21
Total financial items		68	76
PROFIT/LOSS AFTER FINANCIAL ITEMS		40	96
Tax on profit for the year	9	-11	-21
NET INCOME		29	75

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME 1 JANUARY – 31 DECEMBER

Amounts in MSEK	Note	2020	2019
NET INCOME		29	75
Other comprehensive income		–	–
COMPREHENSIVE INCOME		29	75

Balance sheet – Parent Company

PARENT COMPANY ASSETS, 31 DECEMBER

Amounts in MSEK	Note	2020	2019
Non-current assets			
Intangible assets	10	7	10
Deferred tax assets	9	0	0
Other financial assets	12, 13	652	438
Total non-current assets		659	448
Current assets			
Current receivables	16	470	534
Cash and cash equivalents	17	317	362
Total current assets		787	896
TOTAL ASSETS		1 446	1 344

PARENT COMPANY SHAREHOLDERS' EQUITY AND LIABILITIES, 31 DECEMBER

Amounts in MSEK	Note	2020	2019
Shareholders' equity	18		
Share capital		153	153
Statutory reserve		440	440
Share premium reserve		268	268
Retained earnings, incl. net income for the year		-53	-82
Total shareholders' equity		808	779
Long-term liabilities			
Interest-bearing liabilities	19	398	396
Non-interest-bearing liabilities		45	42
Total non-current liabilities		443	438
Current liabilities			
Accounts payable	20	2	3
Other non-interest-bearing liabilities	21	193	124
Total current liabilities		195	127
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1 446	1 344

Statement of changes in shareholders' equity – Parent Company

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY – PARENT COMPANY 2020

Amounts in MSEK	Share capital	Statutory reserve	Share premium reserve	Retained earnings incl. profit/loss for the year	TOTAL SHAREHOLDERS' EQUITY
Opening balance, 1 January 2020	153	440	268	-82	779
Comprehensive income	-	-	-	29	29
Dividends to shareholders	-	-	-	-	0
CLOSING BALANCE, 31 DECEMBER 2020	153	440	268	-53	808

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY – PARENT COMPANY, 2019

Amounts in SEK m	Share capital	Statutory reserve	Share premium reserve	Retained earnings incl. profit/loss for the year	TOTAL SHAREHOLDERS' EQUITY
Opening balance, 1 January 2019	153	440	268	57	918
Comprehensive income	-	-	-	75	75
Dividends to shareholders	-	-	-	-214	-214
CLOSING BALANCE, 31 DECEMBER 2019	153	440	268	-82	779

Statements of cash flows – Parent Company

PARENT COMPANY STATEMENTS OF CASH FLOWS 1 JANUARY - 31 DECEMBER

Amounts in MSEK	Note	2020	2019
EBIT		-28	20
Adjustment for items not included in cash flow			
Depreciation/amortisation and impairment losses	10, 11	4	4
EBIT adjusted for items not affecting cash flow		-24	24
Financial items received		0	1
Financial items paid		-19	-21
Received / paid tax		-2	0
Cash flow from operating activities before changes in working capital		-45	4
Change in working capital			
Change in current receivables		-11	394
Change in current liabilities (non-interest-bearing)		60	-40
Total changes in working capital		49	354
CASH FLOW FROM OPERATING ACTIVITIES		4	358
Investments in intangible assets	10	-	-
Acquired subsidiary		-24	-
Capital injections in subsidiaries		-25	-
CASH FLOW FROM INVESTING ACTIVITIES		-49	-
Bond issue	19	-	-
Change in credit facilities	19	-	-
Dividend paid		-	-214
CASH FLOW FROM FINANCING ACTIVITIES		0	-214
NET CASH FLOW		-45	144
Cash and cash equivalents at the beginning of the year		362	218
Cash and cash equivalents at the end of the year	17	317	362
Granted and unutilised credit facilities	19	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 and the International Financial Reporting Standards (IFRS), in the form they have been adopted by the European Union. RFR 1 'Supplementary Accounting Rules for Groups' has also been applied.

PRECONDITIONS FOR THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

AMENDMENTS OF ACCOUNTING POLICIES AND DISCLOSURES

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

Standards, amendments and interpretations that came into force in 2020 and applied by the Group

No new standards, changes or interpretations have been added in 2020.

Standards, amendments and interpretations that have not yet entered into force and which have not been applied prematurely by the Group

There are no decisions on new or amended IFRS that have not yet entered into force.

THE GROUP

The consolidated financial statements include the financial statements of the parent company and all subsidiaries in which Rottneros AB has the right to formulate financial and operational strategies in a manner that usually accompanies 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 recognised after the acquisition date is included in the Group's equity. The equity in the acquired subsidiary is determined on the basis of a fair value measurement of the assets and liabilities on the acquisition date. In cases where the fair value measurement of assets and liabilities indicates materially different values compared to the acquired company's book values, these fair values are deemed to constitute the Group's acquisition cost. The difference between the cost of the subsidiary's shares and the value of the equity calculated on the acquisition date is reported as goodwill on consolidation where applicable. Acquisition-related expenses are carried as an expense when they arise.

Goodwill is initially valued as the amount by which the total purchase price and the fair value of any non-controlling interests exceed the fair value of the identifiable assets acquired and liabilities assumed.

If the purchase price is lower than the fair value of the net assets of the acquired company, the difference is recognised directly in the income statement.

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

UNTAXED RESERVES/APPROPRIATIONS

When preparing the consolidated accounts, untaxed reserves and appropriations 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 9.

TRANSLATION OF FOREIGN SUBSIDIARIES

The local currency for all companies within the Group is the functional currency for the company. The Swedish krona, which is the parent company's functional and presentation currency, is the currency used in the consolidated accounts. Assets and liabilities are translated at closing 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 recycled into the consolidated income statement as part of the calculation for the transaction gain or loss.

REVENUE (in accordance with IFRS 15)

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

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

Control is passed over time if any of the following criteria is met:

- The customer simultaneously receives and consumes all of the benefits provided by the entity as the entity performs.
- The entity's performance creates or enhances an asset (e.g. work in progress) that the customer controls as the asset is created.
- The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

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

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

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

SEGMENT REPORTING

IFRS 8, Operating Segments, requires that an operating segment is reported on the same basis as is used in the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the function responsible for allocating resources and assessing the performance of the operating segment. In the Group this function was identified as the President.

Rottneros does not report any segments in its internal reporting and consequently nor in its annual accounts.

TRANSACTIONS AND BALANCE SHEET ITEMS IN FOREIGN CURRENCIES

Transactions in foreign currencies are translated to the functional currency in accordance with the exchange rates applicable on the transaction day or the day on which the items are revalued. Exchange gains and losses that arise when paying for such transactions are recognised in the income statement. Receivables and liabilities in foreign currencies are valued at the closing 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 and net realisable value. The cost of raw materials and consumables is based on the purchase price and includes expenditure incurred in acquiring the inventories and transporting them to their present location and condition. The cost of finished goods (pulp) comprises raw materials, direct salaries, other direct costs and attributable indirect manufacturing costs (based on normal manufacturing capacity). Net realisable value is the estimated selling price in normal circumstances, less the costs required to complete the sale.

CASH AND CASH EQUIVALENTS

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

REPORTING OF LEASE AGREEMENTS (in accordance with IFRS 16)

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

The leasing agreements are reported as rights of use (tangible fixed assets) and a corresponding liability (long-term and short-term interest-bearing liabilities), on the date which the leased asset is available for use by the Group. Each lease payment is allocated between amortization of the debt and financial cost.

The financial cost shall be distributed over the lease period so that each accounting period is charged with an amount corresponding to a fixed interest rate for the liability reported during each period. The right of use is amortized on a straight-line basis over the shorter of the asset's economic life and the lease period. The lessee determines the contract period by assessing factors such as the importance of the property for the business, its own planned or completed investments in the leased property and the market situation for the property. Assets and liabilities arising from leasing agreements are initially recognized at present value. Leasing liabilities include the present value of the following lease payments:

- fixed fees (including fees that are fixed in their substance), less incentive claims
- variable leasing fees that depend on an index or price

Leasing payments are discounted with the incremental borrowing rate. Assets with rights of use are valued at cost and include the following:

- the initial valuation of the lease debt;
- payments made at or before the time when the leased asset is made available to the lessee.

Leases of lesser value are recognized as an expense in the income statement. Options to extend or terminate leases, leases or premises are included in the asset and liability when it is reasonably certain that they will be used. The terms are used to maximize the flexibility of the agreements.

BUSINESS COMBINATION

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

- Assets transferred
- Liabilities that the Group incurs to previous owners
- Assets or liabilities that result from a conditional purchase price agreement
- Previous equity ratio in the acquired company

Identifiable acquired assets, assumed liabilities and assumed contingent liabilities in a business combination are valued, with a few exceptions, initially at fair values on the acquisition date. For each acquisition, the Group decides whether non-controlling interests in the acquired company are reported at fair value or at the proportionate share in the carrying amount of the acquired company's identifiable net assets. Acquisition-related costs are expensed when they arise.

If the business combination is carried out in several stages, the previous equity interests in the acquired company are revalued to their fair value at the time of acquisition. Any gain or loss arising as a result of revaluation is reported in the income statement.

INTANGIBLE ASSETS

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

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.

GOODWILL

Goodwill is calculated in accordance with the principles of business combinations. Goodwill arising on business combinations is included in intangible assets and refers to the amount by which remuneration transferred, non-controlling interests and fair value at the time of acquisition of the previous equity share exceeds the fair value of identifiable acquired net assets. Goodwill is not amortized, but impairment is tested annually or more frequently if events or changes in circumstances indicate a possible impairment. Goodwill is reported at acquisition value less accumulated impairment losses. When selling a unit, the carrying amount of goodwill is included in the profit / loss incurred.

In order to test impairment, goodwill acquired in a business combination is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from synergies from the acquisition.

Management has determined the values for the essential assumptions above as follows:

Sales volume: Average growth rate over the five-year forecast based on historical outcome and management's assessment of market development. Budgeted operating margin: Based on historical outcome and management's assessment of the future

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

Discount rate before tax: Reflects specific risks in the relevant segments and in the geographical areas where the business is conducted.

PROPERTY, PLANT AND EQUIPMENT

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

DEPRECIATION/AMORTISATION

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

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assessments are carried out throughout the year to determine whether any assets have declined in value. For intangible assets not yet ready for use the recoverable amount is calculated annually.

If it is not possible to establish essentially independent cash flows for an individual asset, the assets are grouped during impairment testing at the lowest level at which the identifiable cash flow can be identified (cash-generating unit). An impairment is recognised when the recorded value of an asset or cash-generating unit exceeds the recoverable value. Impairment is charged to the income statement.

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

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

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

PROVISIONS

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

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

TAXES

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

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

For items recognised in the income statement, any related tax effects are also recognised in the income statement. Tax effects of items credited directly to shareholders' equity are also recognised as equity. Tax relating to items reported in other comprehensive income is also reported in other comprehensive income.

Deferred tax is calculated and recognised according to the balance sheet liability method for all temporary differences arising between the tax base and the carrying amount of assets and liabilities, and also accumulated

tax loss carryforwards. Deferred tax is calculated using the tax rates (and laws) that have been established or where notice has been given as of the reporting date and that are expected to apply when the relevant deferred tax asset is realised or the deferred tax liability is settled.

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

REMUNERATION OF EMPLOYEES

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

The commitments for the retirement and family pensions of salaried office workers in Sweden are guaranteed through an insurance policy with Alecta, an ITP plan which according to a statement from the Swedish Financial Accounting Standard Council (UFR 3), is a defined benefit plan covering a number of employees. However, a disclosure in accordance with the provisions of Item 29 of IAS 19 cannot be made as the insurance provider is unable to provide the necessary information. Accordingly the ITP plan is recognised as a defined contribution plan in accordance with Item 30 of IAS 19.

This year's pension insurance premiums according to ITP that are contracted with Alecta amount to 6 (6) MSEK. Alecta's surplus can be distributed to the policyholders and/or the insured parties. Alecta's surplus in the form of the collective consolidation level amounted to 142 (142) per cent the end of 2019. The collective consolidation level comprises the market value of Alecta's assets as a percentage of the insurance commitments calculated according to Alecta's actuarial assumptions, which are not in line with IAS 19.

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

EMISSION ALLOWANCES

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

ELECTRICITY CERTIFICATES

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

BORROWING COSTS

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

CASH FLOW STATEMENT

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

FINANCIAL INSTRUMENTS

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

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

Classification of financial assets (in accordance with IFRS 9)

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

Financial assets accounted for as debt instruments

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

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

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

Rottneros' financial assets accounted for as debt instruments include accounts receivable and loans receivable.

Equity instruments

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

Financial liabilities**Accounts payable**

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

Borrowing

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

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

Derivatives

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

A disclosure about a fair value for the various derivative instruments used for hedging purposes can be found in Note 6. The entire fair value of a derivative that constitutes a hedging instrument is classified as a fixed asset or long-term liability when the remaining term for the

hedged item exceeds twelve months, and as a current asset or current liability when the remaining term for the hedged item is less than twelve months.

The effective portion of the changes in fair value of a derivative instrument that has been identified as a cash flow hedge and that meets the conditions for hedge accounting is recognised in other comprehensive income. Changes in the hedging reserve in shareholders' equity are shown in Note 18. The gain or loss attributable to the ineffective part or to realized hedges is reported immediately in the income statement in the item net sales what is required for forward contracts, in the item other income regarding forward exchange contracts and in the item raw materials and supplies when required forward contracts.

IMPORTANT ESTIMATES AND ASSUMPTIONS

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

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

Valuation of property, plant and equipment

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

Valuation of finished goods

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

THE PARENT COMPANY'S ACCOUNTING POLICIES

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

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

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

Notes

Amounts in SEK million unless otherwise stated

NOTE 1. NET TURNOVER

Net turnover consists of the following:

	Group		Parent Company	
	2020	2019	2020	2019
Sales of pulp	1 950	2 299	-	-
Results from pulp price hedging	22	10	-	-
Sales of by-products and other	41	51	-	-
Sales of wood	80	16	-	-
Management fees received	-	-	8	7
Total	2 093	2 376	8	7

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

Net turnover broken down by geographic markets:

	2020	%	2019	%
Sweden	468	23	536	22
Norway	126	6	140	6
Other Nordic countries	85	4	55	2
Germany	289	14	328	14
Italy	318	15	383	16
Poland	30	1	103	4
Rest of Europe	197	9	239	10
US	204	10	208	9
Rest of North America	6	0	36	2
Asia	371	18	346	15
Rest of world	0	0	2	0
Total	2 093	100	2 376	100

In 2020 the Group's largest customer accounted for 7 (7) per cent of turnover. No other customer accounts for more than 10 per cent of turnover. Of the parent company's net turnover 100 (100) per cent relates to wholly owned subsidiaries.

NOTE 2. TRANSACTIONS WITH RELATED PARTIES

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

The following table shows the total amount of transactions with the above-mentioned related parties that occurred in 2020 and 2019 respectively. Goods are sold on the same terms as for non-related parties.

Related party	Sales 2020	Sales 2019	Accounts receivable 31 Dec 2020	Accounts receivable 31 Dec 2019
Arctic Paper S.A. Group	73	135	9	26

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

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

Transactions with persons discharging managerial responsibilities

Information about salaries, fees and other remuneration to persons discharging managerial responsibilities is presented in Note 7.

NOTE 3. OTHER OPERATING INCOME

	Group		Parent Company	
	2020	2019	2020	2019
Sale of by-products	-	-	-	-
Currency return	1	5	1	-1
Loss/gain from currency hedging contracts	0	-5	0	-5
Loss/gain from pulp price hedging contracts	-	-	22	10
Sale of green electricity certificates	-	2	-	-
Sale of emission allowances	3	18	-	-
Results from electricity insurance contracts	-	-	-29	49
EU grant PULPACKTION	0	2	-	-
Other	10	6	15	12
Total	14	28	9	65

Fr.o.m. 2018 includes sales of by-products and results from pulp price hedging in the Group's net sales. See note 1.

NOTE 4. RAW MATERIALS AND CONSUMABLES

	Koncernen		Moderbolaget	
	2020	2019	2020	2019
Pulp wood	-805	-854	-	-
Chemicals	-177	-189	-	-
Electricity	-71	-130	-	-
Loss/gain from electricity price hedging contracts	-30	49	-	-
Fuel	-53	-67	-	-
Other costs for raw materials and consumables	-64	-32	-	-
Total	-1 200	-1 223	-	-

NOTE 5. AUDIT EXPENSES

	Group		Parent Company	
	2020	2019	2020	2019
Audit engagement, KPMG	0,9	1,1	0,5	0,5
Audit business in addition to the audit engagement (EY)	0	–	–	–
Total	0,9	1,1	0,5	0,5

Rottneros has not purchased any significant services other than auditing activities from the auditing company elected by the AGM.

NOTE 6. FINANCIAL INSTRUMENTS

Financial instruments for each category

	2020	2019
Assets		
Financial assets		
Financial assets available for sale	8	8
Derivatives		
Derivative instruments used for hedging purposes	21	56
Financial receivables and cash and cash equivalents		
Accounts receivable	219	267
Cash and cash equivalents	330	376
Total assets	578	707
Liabilities		
Financial liabilities		
Interest-bearing liabilities	411	411
Accounts payable	204	202
Derivatives		
Derivative instruments used for hedging purposes	–	8
Total liabilities	615	613

Financial instruments that are measured at fair value

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

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

	Fair value		Classification
	2020	2019	in the fair value hierarchy
Assets			
Financial assets available for sale	8	8	Level 3
Derivative instruments used for hedging purposes	21	56	Level 2
Total assets	29	64	
Liabilities			
Derivative instruments used for hedging purposes	0	0	Level 2
Total liabilities	0	0	

Financial instruments that are measured at amortised cost

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

	2019		2018	
	Book value	Fair value	Book value	Fair value
Assets				
Accounts receivable	219	219	267	267
Cash and cash equivalents	330	330	376	376
Total assets	549	549	643	643
Liabilities				
Interest-bearing liabilities	411	426	411	426
Accounts payable	204	204	202	202
Total liabilities	615	630	613	628

Financial risks and risk management

The factors that have the greatest impact on the Group's result are associated with the price of pulp in USD, exchange rates and pulp wood and electricity prices. Financial risk is managed at a Group level in accordance with guidelines defined in the Group's Financial Policy and approved annually by the Board of Directors. The Board of Directors makes decisions on overall mandates and limits for restricting the Group's financial risk exposures and also makes decisions on all long-term financing.

The Board of Directors approves hedging levels based on proposals from senior management. The management continually assesses whether factors such as the USD exchange rate, pulp price or electricity price present attractive opportunities for strategic hedging. Financial hedging instruments are not used speculatively, but solely to hedge transactions and costings in accordance with the approved financial policy. A more detailed description of opportunities and risks, together with a sensitivity analysis, can be found on pages 61-67.

Pulp price risk

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

Pulp 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.

Exchange rate risk

Invoicing takes place mostly in USD, EUR and SEK.

Wood price risk

The Group does not hedge market price fluctuations, but long-term supplier agreements provide some stability in the price picture.

Electricity price risk

All external electricity for the mills is purchased directly via the Nord Pool electricity exchange. Electricity prices are quoted 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.

Interest rate risk

In August 2017, Rottneros issued a bond of SEK 400m. The Group's borrowing is shown in Note 19 on page 98. Interest rate risk relates primarily to the variable interest rate of the bond and the return on cash and cash equivalents.

Liquidity and refinancing risk

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.

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.

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.

The Group shall maintain an optimal capital structure to keep capital costs down while ensuring that it is able to continue its activities. The Group may take on new debt, change the dividend paid to shareholders, repay capital to shareholders, issue new shares or sell assets to reduce its debts in order to maintain or adjust its capital structure.

Derivatives

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Fair value hedges				
Currency forwards	-	-	-	-
Cash flow hedges				
Pulp price forwards	8	-	6	-
Electricity price forwards	13	-	50	-
Total	21	0	56	0
Minus non-current portion:				
Electricity price forwards	-2	-	-20	-
Current portion	19	0	36	0

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

The ineffective portion, which is recognised in the income statement, was 0 (0) MSEK in respect of cash flow hedges. 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.

Derivatives, 31 December 2020

Hedging	Hedged volume	Maturity	Hedging level	Fair value
Currency USD, forward sell	-	-	-	-
Currency EUR, forward sell	-	-	-	-
Pulp price, forward sell	6 000 tonne	Jan-jun 2021	8 870 SEK/tonne	8
Electricity price, forward buy	1 200 600 MWh	2021-2025	0,30 SEK/kWh	13
Total fair value				21

Derivatives, 31 December 2019

Hedging	Hedged volume	Maturity	Hedging level	Fair value
Currency USD, forward sell	-	-	-	-
Currency EUR, forward sell	-	-	-	-
Pulp price, forward sell	12 000 tonne	Jan-sep 2020	8 878 SEK/tonne	6
Electricity price, forward buy	756 480 MWh	2020-2025	0,274 SEK/kWh	50
Total fair value				56

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

NOTE 7. PERSONNEL AND REMUNERATION

	2020		2019	
	Average no. of employees	of whom women %	Average no. of employees	of whom women %
Parent Company	12	33	10	30
Subsidiaries	306	17	293	18
Group, total	318	17	303	18
Of which				
Sweden	315	17	300	18
Latvia	3	77	3	33

Pay and other remuneration plus social security contributions:

	2020			2019		
	Pay and other remuneration	Social security contributions	(of which pension expenses)	Pay and other remuneration	Social security contributions	(of which pension expenses)
Parent Company	17	8	4	18	10	4
Subsidiaries	164	61	11	162	72	16
Group, total ¹	181	69	15	180	82	20

1) 2,1 (3,6) MSEK of the Group's pension expenses relate to the CEO/MDs and other senior executives.

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

	2020			2019		
	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 ¹	13	0	4	20	5	1
Subsidiaries	3	0	161	3	0	168
Group, total	16	0	165	23	5	169

Remuneration of senior executives

Principles

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

Remuneration for the CEO and other senior executives complies with the guidelines for the remuneration of senior executives adopted by the AGM. Remuneration consists of a fixed salary, any variable component of pay, other benefits and pension. The total remuneration package must be in line with market rates and competitive in the market in which the executives work. Fixed salary and variable remuneration are related to the responsibilities and powers held by each executive. "Other senior executives" currently means the eight people who make up Group management together with the CEO. See page 105 for the composition of Group management.

See page 58 in the Directors' Report for the Board's proposal to the AGM 2021 regarding "Guidelines for remuneration for senior executives".

Variable remuneration

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

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

The Board of Directors can impose conditions, restrict or decline to make variable remuneration payments in exceptional financial circumstances if the Board considers such measures to be reasonable and compatible with the duties of the company in relation to shareholders, employees and other 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.

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

Severance payments

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

Decision-making process

All matters relating to the remuneration of the executive management are dealt with by the Remuneration 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.

Remuneration and other benefits in 2020 (MSEK)	Basic salary/ Directors' fees	Variable remuneration	Other benefits	Pension expenses	Other remuneration	TOTAL
Chairman of the Board, Per Lundeen	0,6	-	-	-	-	0,6
Board members::						
Marie S. Arwidson	0,3	-	-	-	-	0,3
Ulf Carlson	0,3	-	-	-	-	0,3
Roger Mattsson	0,3	-	-	-	-	0,3
Conny Mossberg	0,3					0,3
Chief Executive Officer Lennart Eberleh	3,2	0,0	0,1	1,3	0,0	4,6
Other senior executives (eight people)	9,3	0,0	0,4	2,8	0,1	12,6
Total	14,3	0,0	0,5	4,1	0,1	19,0

Remuneration and other benefits in 2019 (MSEK)	Basic salary/ Directors' fees	Variable remuneration	Other benefits	Pension expenses	Other remuneration	TOTAL
Chairman of the Board Per Lundeen	0,6	-	-	-	-	0,6
Board members::						
Marie S. Arwidson	0,3	-	-	-	-	0,3
Ulf Carlson	0,3	-	-	-	-	0,3
Roger Mattsson	0,3	-	-	-	-	0,3
Per Skoglund ¹	0,2	-	-	-	-	0,2
Conny Mossberg ²	0,1					0,1
Chief Executive Officer Lennart Eberleh ³	3,1	1,5	0,1	1,3	2,1	8,1
Other senior executives (eight people)	7,9	2,1	0,4	2,3	0,1	12,8
Total	12,8	3,6	0,5	3,6	2,2	22,7

1) Board member beginning on 2 May 2019

2) Board member until 2 May 2019

3) Other remuneration mainly relates to contractual "stay-on bonus" of 2 MSEK

Comments to the table

- Variable remuneration refers to what is charged to the result for 2020 respectively 2019. Variable remuneration 2019 was paid in 2020. No variable remuneration will be paid for 2020.
- Other benefits mainly relate to company cars and overnight apartments.
- The board has two representatives and two deputies workers. The two representatives are Gun-Marie Nilsson and Mika Palmu and the two deputies are Jerry Sohlberg and Jörgen Wasberg. The four representatives are paid a fee of 27 500 (27 500) SEK per person.
- The group of senior executives at the end of the year, if total ten people, consisted of eight men and two women. The board at the end of the year, about a total of seven people, consisted of five men and two women.

NOTE 8. FINANCIAL INCOME AND EXPENSES

	Group		Parent Company	
	2020	2019	2020	2019
Financial income				
External interest income	0	0	0	0
Interest income from subsidiaries	-	-	-	1
Dividends from external companies	0	0	-	-
Group contributions received/paid, net	-	-	87	96
Total	0	0	87	97
Financial expenses				
Interest expenses	-19	-21	-19	-21
Total	-19	-21	-19	-21

NOTE 9. INCOME TAXES

	Group		Parent Company	
	2020	2019	2020	2019
Current tax	-11	-21	-11	-21
Deferred tax	22	-32	0	0
Summa	11	-53	-11	-21

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

	Group		Parent Company	
	2020	2019	2020	2019
Income for the year before tax	-62	247	40	96
Tax at applicable tax rate	13	-53	-9	-21
Tax effect of non-deductible items	-1	-1	-1	0
Tax effect of non-taxable items	0	1	0	0
Tax attributable to previous years	-2	0	-2	0
Reported tax expense	11	-53	-11	-21

Tax rate

The applicable tax rate for 2020 was 21,4 per cent (21,4). In accordance with a decision by the Swedish Parliament in June 2018, the tax rate will be lowered to 21,4 per cent for 2019-2020 and to 20,6 per cent as of 2021. Rottneros has revalued its deferred tax assets and liabilities using the new tax rates. The effect of revaluation is included in the reported tax expense for 2018.

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 assets (+) and deferred tax liabilities (-):

Group	Tax loss carry-forwards	Derivative instruments	Excess depreciation	Non-current liabilities	Total
As of 1 January 2019	-	-28	-91	0	-119
Recognised in income statement	-	0	-33	0	-33
Recognised in other comprehensive income	-	17	-	-	17
As of 31 December 2019	-	-11	-124	0	-135
Recognised in income statement	-	0	23	0	23
Recognised in other comprehensive income	-	7	-	-	7
As of 31 December 2020	-	-4	-101	0	-105

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

	Group		Parent Company	
	2020	2019	2020	2019
Deferred tax assets, non-current	0	0	0	0
Deferred tax liabilities, long-term	-105	-135	-	-
Total	-105	-135	0	0

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	
	2020	2019	2020	2019
Deferred tax assets	-	-	0	0
Deferred tax liabilities	-105	-135	-	-
Total	-105	-135	0	0

NOTE 10. INTANGIBLE ASSETS

Group	2020						2019					
	Soft-ware	Trade-marks	Licences	Assets under development	Goodwill	Total	Soft-ware	Trade-marks	Licences	Assets under development	Total	
Opening cost	59	25	2	6	–	92	59	25	2	6	92	
Acquisitions for the year	0	–	–	–	–	0	–	–	–	–	–	
Acquisition of subsidiaries	–	–	–	–	21	21	–	–	–	–	–	
Items transferred during the year	-17	–	-2	-6	–	-25	–	–	–	–	–	
Closing accumulated cost	42	25	0	0	21	88	59	25	2	6	92	
Incoming depreciation and write-downs	-47	-25	-2	-6	–	-80	-42	-25	-2	-6	-75	
Items transferred during the year	19	–	2	6	–	27	–	–	–	–	–	
Depreciation for the year	-5	–	–	–	–	-5	-5	–	–	–	-5	
Closing accumulated depreciation/amortisation and impairment losses	-33	-25	–	–	–	-58	-47	-25	-2	-6	-80	
Closing residual value according to plan	9	–	–	–	21	30	13	–	–	–	13	

Parent Company	2020			2019		
	Licences	Assets under development	Total	Licences	Assets under development	Total
Opening cost	32	6	38	32	6	38
Acquisitions for the year	0	–	–	–	–	–
Items transferred during the year	-15	-6	-21	–	–	–
Outgoing accumulated acquisition values	18	0	18	32	6	38
Incoming depreciation and write-downs	-22	-6	-28	-18	-6	-24
Depreciation for the year	-4	–	-4	-4	–	-4
Items transferred during the year	15	6	21	–	–	–
Outgoing accumulated depreciation and amortization	-11	0	-11	-22	-6	-28
Closing residual value according to plan	7	–	7	10	–	10

Acquisition of Nykvist Skogs AB

As of January 1, 2020, Rottneros AB acquired all the shares in Nykvist Skogs AB. The acquisition is intended to strengthen the supply of raw materials in the group. Nykvist Skogs acts as a comprehensive and independent company in Värmland, with focus on timber trade, forest management and consulting.

Summary balance sheet at the time of acquisition

Operating fixed assets	5
Accounts receivable	7
Other assets	17
Other debts	-30
Total operating capital employed	-1
Goodwill ¹⁾	21
Total capital employed	20
Net debt	6
Total acquired net assets	26

The impact of the acquisition on the Group's cash and cash equivalents

Acquisition price	-26
Of which additional purchase price	2
Cash payment acquisition	-24
Cash and cash equivalents according to acquisition	9
Total impact on the Group's liquidity	-15

1) Goodwill that is expected to be tax deductible amounts to 0,0 tkr. No significant transaction costs have been incurred in connection with this acquisition.

Impairment testing

Goodwill is tested annually for any need for impairment. In the event of a need for impairment, this is done with the amount by which the book value exceeds the recoverable amount. The recoverable amount is the higher of the net sales value and the value in use. The value in use is the present value of the estimated future cash flows. Cash flows have been based on financial plans established by Group management and approved by the Board and which normally cover a period of five years. Cash flows beyond this period have been extrapolated using an estimated growth rate. Where possible, Rottneros uses external sources of information, however, the element of previous experience is also significant because in some cases there are no external sources that can be used without processing as a basis for assumptions and assessments.

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

Assumptions and assessments that formed the basis for the impairment assessment are set out in a summary below

WACC	11 %
Estimated growth rate beyond the forecast period	2 %
Average growth rate during the forecast period	7 %
Operating margin during the forecast period	3,7-4,2 %

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

NOTE 11. TANGIBLE FIXED ASSETS

2020							
Group	Land	Land improvements	Buildings	Machinery	Equipment	Const. in progress/adv.	Total
Opening cost	3	97	236	2 257	83	34	2 710
Effect of IFRS 16 Leasing							
Adjusted acquisition value	3	97	236	2 257	83	34	2 710
Acquisitions for the year	-	1	2	46	6	60	115
Sales/disposals	-	-	-	-6	-6	-	-12
Acquisition of subsidarie	-	-	-	-	7	-	7
Items transferred during the year	-	4	10	42	4	-60	-
Closing accumulated acquisition values	3	102	248	2 339	94	34	2 820
Opening depreciation	-	-21	-83	-1 342	-51	-	-1 497
Sales/disposals	-	-	-	6	6	-	12
Depreciation for the year	-	-6	-12	-84	-9	-	-111
Acquisition of subsidarie	-	-	-	-	-2	-	-2
Closing accumulated depreciation	-	-27	-94	-1 420	-56	-	-1 597
Opening impairment losses	-	-	-	-6	-9	-	-15
Write-down for the year	-	-	-	-4	-1	-	-5
Closing accumulated impairment losses, net	-	-	-	-10	-10	-	-20
Closing residual value according to plan	3	75	154	909	28	34	1 203

2019							
Group	Land	Land improvements	Buildings	Machinery	Equipment	Const. in progress/adv.	Total
Opening cost	3	57	176	2 136	79	142	2 593
Effect of IFRS 16 Leasing							
Adjusted acquisition value	3	57	192	2 136	79	142	2 609
Acquisitions for the year	-	40	14	53	4	-	111
Sales/disposals	-	-	-	-5	-4	-	-9
Acquisition of subsidarie	-	-	-	-	-	-	-
Items transferred during the year	-	-	30	73	4	-108	-
Closing accumulated acquisition values	3	97	236	2 257	83	34	2 710
Opening depreciation	-	-17	-71	-1 269	-44	-	-1 401
Sales/disposals	-	-	-	4	2	-	6
Depreciation for the year	-	-4	-12	-77	-9	-	-102
Acquisition of subsidarie	-	-	-	-	-	-	-
Closing accumulated depreciation	-	-21	-83	-1 342	-51	-	-1 497
Opening impairment losses	-	-	-	-6	-9	-	-15
Write-down for the year	-	-	-	-	-	-	-
Closing accumulated impairment losses, net	-	-	-	-6	-9	-	-15
Closing residual value according to plan	3	76	153	909	23	34	1 198

NOTE 12. OTHER FINANCIAL ASSETS

	Group		Parent Company	
	2020	2019	2020	2019
Shares in group companies	-	-	327	276
Shareholding in Söderhamns Stuveri & Hamn AB (16%) ¹	8	8	-	-
Other long-term receivables	42	41	325	162
Closing residual value according to plan	50	49	652	438

1) The Group's 16 per cent stake in Söderhamns Stuveri & Hamn AB is classified in financial assets available for sale, and is therefore measured at fair value. See also Note 6.

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

Parent company holdings	Corp. ID no.	Reg. office	No. of participating interests	Votes/share of equity %	Book value, parent company	
					2020	2019
Vallviks Bruk AB	556445-8163	Söderhamn	415 000	100	101	101
Rottneros Bruk AB	556014-4502	Sunne	2 100 000	100	89	89
Rottneros Packaging AB	556307-5356	Stockholm	10 000	100	26	1
Utansjö Bruk AB	556012-7994	Härnösand	500 000	100	79	79
SIA Rottneros Baltic	319 171	Latvia	100	100	6	6
Nykvist Skogs AB	556378-8735	Gräsmark	1 000	100	26	-
Total					327	276

Change in the value of participating interests in Group companies	Parent Company	
	2020	2019
Opening cost	821	821
This year's acquisitions of subsidiaries and capital injections	51	-
Closing accumulated cost	872	821
Opening impairment losses	-545	-545
Closing accumulated impairment losses, net	-545	-545
Closing book value	327	276

NOTE 13. PLEDGED ASSETS

	Group		Parent Company	
	2020	2019	2020	2019
Floating charges				
Pledged to Danske Bank	285	285	50	50
Held by the company	225	225	225	225
Shares in subsidiaries				
Pledged to Danske Bank	-	-	-	-
Mortgage deed				
Pledged to Danske Bank	-	-	-	-
Held by the company	382	382	-	-
Total	892	892	275	275

On 31 December 2020, a part of the Group's and the parent company's mortgages were pledged to Danske Bank as security for the Group's bank overdraft facilities of 182 MSEK and for the Group's liabilities relating to currency and electricity price derivative contracts where Danske Bank is the counterparty.

On 31 December 2019, a part of the Group's and the parent company's mortgages were pledged to Danske Bank as security for the Group's bank overdraft facilities of 182 MSEK and for the Group's liabilities relating to currency and electricity price derivative contracts where Danske Bank is the counterparty.

NOTE 14. INVENTORIES

	Group	
	2020	2019
Raw materials and consumables	70	63
Spare parts, etc.	77	72
Pulp, valued at production cost	208	240
Total	355	375

NOTE 15. ACCOUNTS RECEIVABLE

	Group		Parent Company	
	2020	2019	2020	2019
Accounts receivable, gross	219	267	–	–
Provision for doubtful accounts receivable	–	–	–	–
Accounts receivable, net	219	267	–	–

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

	Group		Parent Company	
	2020	2019	2020	2019
Opening balance	–	–	–	–
Receivables written off over the year as uncollectable	–	–	–	–
Closing balance	–	–	–	–

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

Accounts receivable amounting to 18 (49) MSEK were due as of 31 December 2020, 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	
	2020	2019	2020	2019
Accounts receivable that are not due	201	218	–	–
Less than 30 days from due date	18	46	–	–
2 to 3 months from due date	0	2	–	–
3 to 9 months from due date	0	1	–	–
Total	219	267	–	–

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

	Group		Parent Company	
	2020	2019	2020	2019
USD	139	129	–	–
EUR	33	64	–	–
SEK	47	74	–	–
Other currencies	0	0	–	–
Total	219	267	–	–

NOTE 16. OTHER CURRENT RECEIVABLES

	Group		Parent Company	
	2020	2019	2020	2019
Receivables from subsidiaries	–	–	469	533
Other receivables	45	32	0	0
Prepaid expenses and accrued income:				
Prepaid insurance premiums	1	1	0	0
Other prepaid expenses	3	5	1	0
Accrued income	0	2	0	0
Total prepaid expenses and accrued income	4	7	1	0
Total	49	39	470	533

NOTE 17. CASH AND CASH EQUIVALENTS

	Group		Parent Company	
	2020	2019	2020	2019
Cash and bank balances	330	376	317	362

None of the cash and cash equivalents were blocked or pledged at the end of the year.

NOTE 18. SHAREHOLDERS' EQUITY**Share capital and number of shares**

Group and Parent Company	Number of shares ¹	Share capital
As of 31 December 2020	152 571 925	153
As of 31 December 2019	152 571 925	153

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

Average number of shares outstanding, 2020	152 571 925
Average number of shares outstanding, 2019	152 571 925

All shares are of the class "ordinary shares" and have a quota value of 1 SEK per share. All shares are fully paid up. The parent company's holding of treasury shares amounts to 821 965 (821 965) ordinary shares, with a total nominal value of 822 tkr.

Share-based incentive programs

There were no share-based incentive programs in the Group as of the end of December 2020 and 2019.

Dividend for the financial year 2019

At the Annual General Meeting on June 24, 2020, it was decided that no dividend would be paid.

Proposal for profit distribution

For the financial year 2020, the Board will propose to the Annual General Meeting that no dividend be paid.

At the disposal of the Annual General Meeting are:

Balanced profits	186 455 581
Net profit for the year	29 283 723
Total SEK	215 739 304

The Board proposes:

To be carried forward	215 739 304
Total SEK	215 739 304

The Board has considered the company's financial position, cash flows and future prospects in its proposed dividend. A detailed account regarding the Board's proposed dividend is available on the Company's website, www.rottneros.com.

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 take on new debt, change the dividend paid to shareholders, repay capital to shareholders, issue new shares or sell assets to reduce its debts in order to maintain or adjust its capital structure.

In the same way as other companies in the industry, the Group estimates its capital on the basis of its debt/equity ratio. This key ratio is defined as interest-bearing net debt/cash divided by shareholders' equity. The Group's debt/equity ratio was 6 (3) per cent as of 31 December 2020.

Hedging reserve in consolidated shareholders' equity

	Group	
	2020	2019
Opening balance	46	106
Cash flow hedging:		
Value changes	-43	-18
Income tax attributable to changes in value	9	4
Realized pulp price hedges	-22	-10
Tax effect realized pulp price hedges	5	2
Realized electricity price hedges	29	-49
Tax effect realized electricity price hedges	-6	11
Closing balance	18	46

NOTE 19. INTEREST-BEARING LIABILITIES

	Group		Parent Company	
	2020	2019	2020	2019
Bond	397	396	398	396
Finance lease	14	15		
Due for payment:				
Within one year	2	2	-	-
Later than one year but within five years	404	402	398	396
Later than five years	5	7	-	-

Changes in interest-bearing liabilities

	Group		Parent Company	
	2020	2019	2020	2019
Opening balance	411	395	396	395
Changes included in cash flow from financing activities:				
Bond issue	-	-	-	-
Long-term loans taken out from banks	-	-	-	-
Amortisation of long-term loans taken out from banks	-	-	-	-
Change in credit facilities	-	-	-	-
Total changes included in cash flow from financing activities:	-	-	-	-
Other changes:				
Finance lease	-1	15	-	-
Direct costs charged to expense over the loan period	1	1	2	1
Total other changes	0	16	2	1
Closing balance	411	411	398	396

Bond 2017

In August 2017, Rottneros AB issued an unsecured bond of 400 MSEK with a maturity of 5 years. The bond bears variable interest of STIBOR 3m + 4,15 per cent and must be repaid in September 2022. The bond has a framework amount of 600 MSEK, which allows for an additional bond issue of 200 MSEK. The bond is listed on Nasdaq Stockholm.

Direct costs in connection with the issue amounted to approximately 7 MSEK and are reported as interest expense over the bond period.

The bond terms contain standard covenants in the form of net debt to EBITDA of a maximum of 3,5, minimum equity/assets ratio of 50 per cent, and a maximum dividend of 50 per cent of the previous year's net profit. These covenants were fulfilled on the balance sheet day. The fair value of the bond was assessed to be 411 MSEK on the balance sheet day, based on the most recent transaction for the bond on Nasdaq Stockholm.

Credit facilities

The Group had used none of its credit facilities on 31 December 2020 and 2019. The Group had unutilised bank overdraft facilities of 182 (182) MSEK on 31 December 2020.

As of December 31, 2020 and 2020, the parent company had not used its overdraft facilities. Unutilized overdraft facility amounted to 90 (90) MSEK as of December 31, 2020.

Bank overdraft facilities are available denominated in the currencies SEK, USD and EUR. Interest rate on balance sheet date was as follows:

	2020			2019		
Peer Cent	SEK	USD	EUR	SEK	USD	EUR
Bank overdraft facilities	1,10	1,50	0,75	1,12	2,87	0,78

NOTE 20. ACCOUNTS PAYABLE

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

	Group		Parent Company	
	2020	2019	2020	2019
SEK	181	171	2	3
EUR	22	29	-	-
USD	1	2	-	-
Total	204	202	2	3

The book values of accounts payable are the same as the fair values and correspond to nominal amounts.

NOTE 21. OTHER NON-INTEREST-BEARING LIABILITIES

	Group		Parent Company	
	2020	2019	2020	2019
Liabilities to subsidiaries	-	-	158	100
Tax liabilities	23	10	28	19
Other liabilities	19	27	1	0
Accrued expenses and deferred income:				
Holiday pay liability	24	26	2	3
Social security contributions	16	15	1	2
Payroll liability	12	10	-	-
Raw material cost and input goods	59	95	-	-
Other accrued expenses	30	21	3	-
Other deferred income	8	-	-	-
Total accrued expenses and deferred income	149	167	6	5
Total	191	204	193	124

NOTE 22. CONTINGENT LIABILITIES

The Parent Company and the Group have contingent liabilities regarding guarantees amounting to 5 (5) MSEK and a provision in a bank account with SEB amounting to 54 MSEK for the Group's obligations in connection with electricity price derivative contracts where SEB is the counterparty.

NOTE 23. EVENTS AFTER THE END OF THE PERIOD AND OTHER DISCLOSURES

No significant events after the end of the financial year have been noted that would affect the financial statements as of 31 December 2020. After the end of the year, the Board has approved an environmental investment in Vallviks Bruk AB amounting to 33 MSEK, the investment is expected to affect the full financial year 2021.

For information on risks that the company faces, please refer to the section opportunities and risks, see pages 61-67.

Statement from the Board

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.

Sunne, 18 March 2021

Rottneros AB (publ) corporate id no.556013-5872

Per Lundeen
Chairman of the Board

Marie S. Arwidson
Board Member

Ulf Carlson
Board Member

Roger Mattsson
Board Member

Conny Mossberg
Board Member

Gun-Marie Nilsson
Board Member
Employee Representative

Mika Palmu
Board Member
Employee Representative

Lennart Eberleh
President and CEO

Our audit report was submitted on 19 March 2021
KPMG AB

Sven Cristea
Authorised Public Accountant
Auditor in Charge

Marina Pääkkö
Authorised Public Accountant

Auditor's Report

To the general meeting of the shareholders of Rottneros AB (publ), corp. id 556013-5782

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Rottneros AB (publ) for the year 2020, except for the corporate governance statement on pages 68-73 and the sustainability report on pages 34-55. The annual accounts and consolidated accounts of the company are included on pages 56-100 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 68-73 and sustainability report on pages 34-55. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

REVENUE RECOGNITION

See disclosure 1 and accounting principles on pages 80-81 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

Net turnover for 2020 amounted to 2 093 MSEK for the Group. Turnover for sales of products are recognised in the income statement when material risks and benefits connected to the products ownership have been transferred to the buyer, which is usually in connection with delivery.

Turnover includes revenue from sales of products and invoiced freights, returns, discounts and pulp price hedging, which are presented excluding value added tax. Conditions for freight regarding the sales transactions can vary between regions/countries/products, where as the ownership can be transferred before the actual delivery of products has taken place. Revenue is recognised at the specific time when ownership is transferred to the client.

Invoicing is performed in connection with the delivery. Revenue is recognised to the fair value of what is received or will be received for sold products in the Group's operating activities.

Response in the audit

In our audit we have evaluated the design and implementation of controls used by the company regarding revenue recognition of products sold.

Furthermore, we have reviewed a sample of contracts in order to analyse relevant key areas in the contracts and evaluate the suitability of the applied accounting rules. We have reviewed a sample of sales transactions before and after year end in order to evaluate if correct conditions have been applied according to the contracts and that risks and benefits have been transferred to the customers.

Through samples, we have also reviewed that revenue is in line with the information in the ERP-system. In addition, we have also verified the safety in the IT-system and that controls exists between the sub-ledger and the general ledger and the ERP-system. This in order for revenue to be accounted for in the correct period of time when ownership have been transferred.

VALUATION OF FINISHED GOODS

See disclosure 14 and accounting principles on page 83 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

As described in note 14 of the annual report, the inventory of finished goods is recorded at 208 MSEK in the consolidated financial statements as of 31 December 2020. The inventory is measured at the lower of cost and net realisable value. The accounting of the finished goods at cost is based on production cost less any obsolescence. The valuation at production cost is made by using calculation models where direct and indirect production related costs are allocated to products. An incorrect accounting would affect the valuation of inventory and the recorded cost for goods sold during the year. When establishing if the net realisable value is lower than cost Rottneros needs to assess the price level for which they will be able to sell the inventory for. Based on this we have assessed the valuation of finished goods to be a key audit matter.

Response in the audit

In our audit we have evaluated if the inventory accounting model used by the company is in accordance with applicable accounting rules. We have furthermore reviewed the company’s calculation models and evaluated the plausibility for used prices, consumption rates and assumptions made when allocating indirect production costs. We have also evaluated Rottneros assessment regarding the net realisable value for the finished goods by comparison to current market prices. We have reviewed disclosures in the annual report.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 4–34 and 104–111. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company’s and the group’s ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director’s responsibilities and tasks in general, among other things oversee the company’s financial reporting process.

Auditor’s responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an

auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company’s internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors’ and the Managing Director’s, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company’s and the group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Rottneros AB (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess

with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 68-73 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Revisorns yttrande avseende den lagstadgade hållbarhetsrapporten

The Board of Directors is responsible for the sustainability report on pages 34-55, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion. A statutory sustainability report has been prepared. En hållbarhetsrapport har upprättats.

KPMG AB, Box 11908, 404 39, Göteborg, was appointed auditor of Rottneros AB (publ) by the general meeting of the shareholders on 24 juni 2020. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2018.

Stockholm, 19 March 2021
KPMG AB

Sven Cristea
Authorised Public Accountant
Auditor in Charge

Marina Pääkkö
Authorised Public Accountant

Board of Directors



PER LUNDEEN

Chair of the Board of Directors since 2016, Chair of the Remuneration Committee and member of the Audit Committee. Not independent of the company and its management, nor of Arctic Paper S.A.

Born: 1955

Present board assignments:

Chair of the Board of Arctic Paper S.A., Nilsbyn Invest AB and Strand Packaging AB. Board member of Fiskeby Board AB and Packbridge AB.

Earlier positions: President and CEO for Rottneros, President and CEO for Å&R Packaging Group and Å&R Carton AB, Business Area Manager at Åkerlund & Rausing Group.

Education:

M.Sc. (Engineering)

Shareholding:

250 000 shares



MARIE S. ARWIDSON

Board member since 2015, Chair of the Board's Audit Committee. Independent of both the company and its management and of the company's largest shareholders.

Born: 1951

Present board assignments:

Member of IVA, the Royal Swedish Academy of Engineering Sciences.

Earlier positions: CEO for the Swedish Forest Industries Federation, CEO for CEPI, Brussels (Confederation of European Paper Industries).

Education:

M.Sc. (Business and Economics)

Shareholding: 0



ULF CARLSON

Board member since 2016. Member of the Remuneration Committee and the Audit Committee. Independent of both the company and its management and of the company's largest shareholders.

Born: 1950

Present board assignments:

Vice Chair of Troedssonstiftelsen. Member of IVA, the Royal Swedish Academy of Engineering Sciences.

Earlier positions: Research Director at Svenska Cellulosa Aktiebolaget SCA

Education:

M.Sc.

Shareholding:

1 070 shares



ROGER MATTSOON

Board member since 2016. Member of the Audit Committee. Independent of the company and its management, but not independent of Arctic Paper S.A.

Born: 1973

Current position:

CFO for Nemus Holding AB

Present board assignments:

Chair of Nemus Holding AB and Munkedal Skog AB, Board member of Arctic Paper S.A.

Earlier positions: Group Controller at Arctic Paper S.A., CFO at Talent Plastics Group

Education:

M.Sc. (Business and Economics)

Shareholding: 0



CONNY MOSSBERG

Board member since 2019. Member of the Audit Committee. Independent of the company and its management, but not independent of Arctic Paper S.A.

Born: 1966

Current position:

CEO for Munkedal Skog AB

Earlier positions:

Vice President/President for Moelven Skog AB and President for Are Skog AB.

Education: Forest Technician

Shareholding: 0



GUN-MARIE NILSSON

Employee representative since 2013.

Born: 1960

Current position:

Accounting Administrator, Rottneros Mill

Present board assignments:

Chair of Unionen Rottneros Bruk, Chair of Rottneros Vinstandelsstiftelse (Rottneros' profit sharing trust).

Shareholding:

35 000 shares



MIKA PALMU

Employee representative since 2016.

Born: 1975

Current position:

Production coordinator, Vallvik Mill

Present board assignments:

Chair of Unionen dept. 23

Shareholding: 0



JERRY SOHLBERG

Employee representative since 2020.

Born: 1989

Current position:

Warehouse worker, Vallvik Mill

Present board assignments:

Chairman Paper dept. 89

Shareholding: 0



JÖRGEN WASBERG

Employee representative since 2019.

Born: 1975

Current position:

Operator, Vallvik Mill

Present board assignments:

Chair of Pappers dept. 106.

Shareholding: 0

AUDITORS KPMG AB

Auditor in Charge:

Sven Cristea (1986)

Authorised Public Accountant

Senior executives



LENNART EBERLEH
President and CEO since 2016.
Born: 1969
Education: M.Sc. Engineering
Employed since: 2016
Present board assignments:
Board member of Swedish Forest Industries Federation
Shareholding: 150 000 shares



MONICA PASANEN
Chief Financial Officer
Born: 1963
Education: M.Sc. Business and Economics, MBA
Employed since: 2017
Shareholding: 35 000 shares



IDA MÖRTSELL
Director HR & Safety
Born: 1984
Employed since: 2014.
Shareholding: 10 200 shares



NILS HAURI
Director of Innovation and strategic projects
Born: 1981
Education: M.Sc. Chemical Engineering
Employed since: 2007
Shareholding: 8 000 shares



KASPER SKUTHÅLLA
Sales and Business Development Director
Born: 1978
Education: M.Sc. Business and Economics
Employed since: 2017
Shareholding: 72 500 shares



ARVID SVANBORG
Purchasing Director
Born: 1964
Education: Forester
Employed since: 2020
Shareholding: 0



PETER SÄVELIN
Mill Director Vallvik Mill
Born: 1963
Education: M.Sc. Chemical Engineering
Employed since: 2020
Shareholding: 0



OLA THOMASSON
Mill Director Rottneros Mill
Born: 1969
Education: Mechanical Engineering
Employed since: 2020
Shareholding: 10 000 shares



JENS HALLENDORFF
Site Manager Rottneros Packaging
Born: 1971
Utbildning: M.Sc. Chemical Engineering
Employed since: 2018
Shareholding: 0

The Rottneros share 2020

The Rottneros share is listed on Nasdaq Stockholm. Rottneros had a market value of approximately 1 250 (1 750) MSEK and its share price was 8,15 (11,40) SEK as of 31 December 2020.

The Rottneros share has been listed on Nasdaq Stockholm since November 1987. Rottneros was part of the Mid Cap segment in 2020 and is classified as a company in the Basic Resources sector. At the end of 2020, Rottneros' market capitalization was approximately 1 250 (1 750) MSEK and the company had 13 708 (13 801) shareholders. The foreign shareholders' share in Rottneros amounted to 62,6 (63,8) per cent of the capital. Rottneros' share price amounted to 8,15 (11,40) SEK at the end of December 2020, a negative development of 29 (positive 38) per cent.

The Stockholm Stock Exchange, Nasdaq Stockholm, had a positive development of 13 (30) per cent in 2020, according to the OMX-SPI index. The closing price of the Rottneros share peaked at 11,60 (14,44) SEK on 2 January, while the lowest price, 7,62 (8,20) SEK, was noted on 16 March. The average price during the year was 9,10 (11,33) SEK.

THE SHARE'S TURNOVER

In 2020, a total of 38 (72) million shares were traded at a value of 349 (819) MSEK. This corresponds to a turnover rate of the share capital during the year of 25 (47) percent. An average of 252 (390) trades were made each day in Rottneros' share.

SHARE CAPITAL AND HOLDINGS OF TREASURY SHARES

The share capital at the end of the year amounted to 153,4 (153,4) MSEK, divided into 153 393 890 (153 393 890) shares. All shares hold the same voting rights and share in the company's capital and profit. The development of the number of shares is described in the table below. The company's holding of own shares is unchanged from the previous year, 821 965 shares, which corresponds to 0,54 per cent of the number of outstanding shares.

DIVIDEND

No dividend was paid for the 2019 financial year, and the result was carried forward. Ahead of the 2021 Annual General Meeting, the Board proposes that no dividend be paid for the year 2020.

DIVIDEND POLICY

Rottneros shall pay out 30–50 per cent of net profit, in accordance with the long term financial targets.

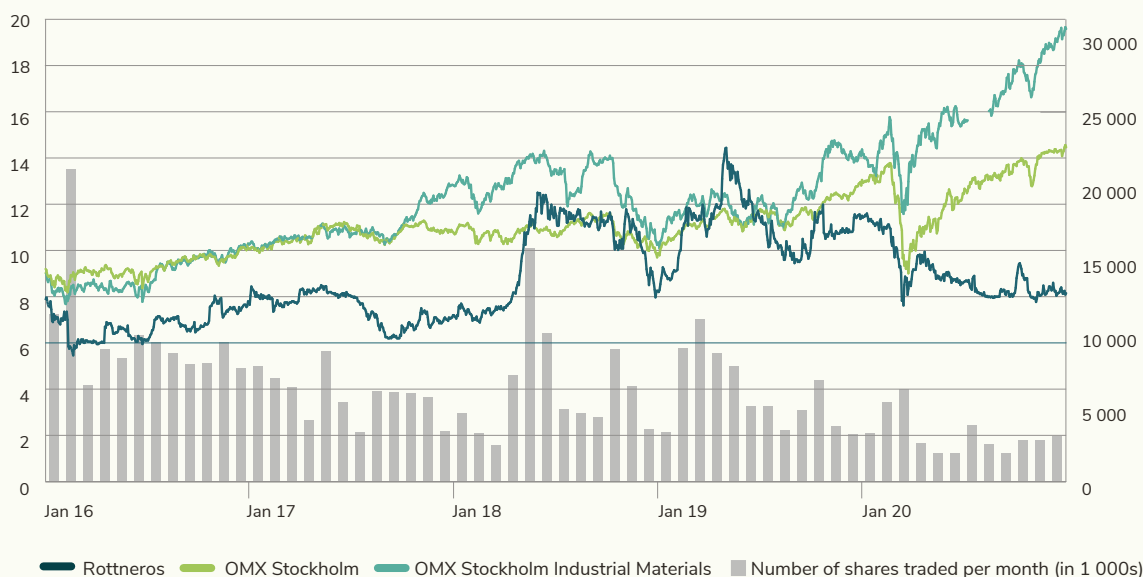
SHARES HELD BY THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES

The own holdings of the Board of Directors and senior executives and those of related parties amounted to a total of 610 503 (473 270) shares in Rottneros AB as of 31 December 2020. No subscription warrants were issued as of 31 December 2020.

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 are regularly posted on www.rottneros.com. Presentations given in connection with quarterly results are available on the home page. The home page is the main channel for the Annual Report, for which reason the report is not sent to shareholders unless specifically requested.

SHARE PERFORMANCE AND TURNOVER JAN 2016 – DEC 2020



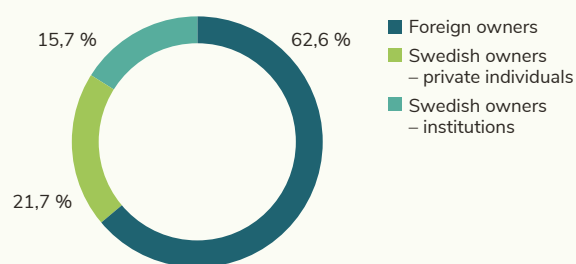
OWNERSHIP STRUCTURE AS OF 31 DECEMBER 2020

Shareholders	Number of shares (= votes)	Per cent of capital
Arctic Paper S.A.	78 230 883	51,0
PROAD AB	11 110 223	7,2
UBS Switzerland AG, W8IMY	4 076 159	2,7
Försäkringsaktiebolaget Avanza Pension	3 984 991	2,6
CBNY-DFA-INT SML CAP V	1 566 038	1,0
Caceis Bank, Switzerland Branch, W8IMY	1 500 000	1,0
BNY Mellon NA (Former Mellon), W9	1 498 122	1,0
The Northern Trust Company	987 062	0,6
Caceis Bank Spain SAU, W8IMY	821 965	0,5
Nordnet Pensionsförsäkring AB	804 874	0,5
Total for 10 largest owners – by size of holding	104 580 317	68,2
Other shareholders	47 991 608	31,3
Rottneros AB (treasure shares)	821 965	0,5
TOTAL	153 393 890	100,0

SHAREHOLDER SPREAD AS OF 31 DECEMBER 2020

Number of shares	Shareholders	Per cent of capital
1 – 500	7 367	0,8
501 – 1 000	1 933	1,0
1 001 – 5 000	2 997	4,5
5 001 – 10 000	710	3,3
10 001 – 15 000	216	1,5
15 001 – 20 000	114	1,4
20 001 –	371	87,5
Total	13 709	100,0

DISTRIBUTION OF OWNERSHIP BY CATEGORY

SHARE DATA¹

	2020	2019	2018	2017	2016
Shares, opening ²	152 572	152 572	152 572	152 572	152 572
Shares, closing ²	152 572	152 572	152 572	152 572	152 572
Average number of shares ²	152 572	152 572	152 572	152 572	152 572
Holdings of treasury shares ²	822	822	822	822	822
Earnings per share	-0,33	1,27	1,45	0,75	0,84
Cash flow after investments/share ³	-0,30	2,30	-0,21	-0,10	-0,60
Equity per share	8,53	9,05	9,57	7,91	7,54
Dividend per share					
Ordinary dividend	–	0,40	0,40	0,30	0,30
Extra dividend	–	–	1,00	0,07	0,10
Total	–	0,40	1,40	0,37	0,40
Dividend/equity per share	–	4,4	14,6	4,7	5,3
Share price at end of period	8,15	11,40	8,24	7,15	8,05
Market price/equity/share times	1,0	1,3	0,9	0,9	1,1
P/E ratio	-24,7	9,0	5,7	9,5	9,6

¹ None of the key ratios are affected by any dilution effect.

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

³ Cash flow from operating activities less investments in non-current assets, divided by the number of shares.

Multi-year overview

GROUP PERFORMANCE I SUMMARY

INCOME STATEMENT, MSEK	2020	2019	2018	2017	2016
Net turnover	2 093	2 376	2 260	1 912	1 730
EBITDA	77	374	394	247	221
Depreciation/amortisation and impairment losses	-119	-106	-99	-91	-51
EBIT (Operating profit/loss)	-42	268	295	156	170
Financial items (net financial items)	-19	-21	-19	-9	-7
Profit/loss after financial items	-61	247	276	147	163
Tax on profit/loss for the year	11	-53	-55	-35	-35
Net income	-50	194	221	114	128
STATEMENT OF CASH FLOWS, MSEK					
Cash flow from operating activities	85	462	223	222	187
Investments in non-current assets	-128	-109	-256	-237	-278
Cash flow after investments	-46	353	-33	-15	-91
Sale of non-current assets	3	0	0	0	0
Cash used in/provided by financing activities	-3	-214	-56	325	-62
Net cash flow	-46	138	-88	310	-153
BALANCE SHEET ITEMS, MSEK					
Non-current assets	1 285	1 280	1 290	1 078	905
Inventories	355	375	389	279	278
Current receivables	287	342	484	324	290
Cash and cash equivalents	330	376	238	326	16
Net debt (+) / net cash (-)	81	35	157	68	-2
Shareholders' equity	1 301	1 380	1 460	1 207	1 151
Long-term interest-bearing liabilities	411	411	395	394	-
Long-term non-interest-bearing liabilities	150	176	137	52	14
Current interest-bearing liabilities	-	-	-	-	14
Current non-interest-bearing liabilities	395	406	409	354	310
Capital employed	1 382	1 415	1 617	1 275	1 149
Total shareholders' equity and liabilities	2 257	2 373	2 401	2 007	1 489
KEY RATIOS					
EBITDA-margin, %	3,7	15,7	17,4	12,9	12,8
EBIT-margin, %	-2,0	11,3	13,1	8,2	9,8
Profit margin, %	-2,4	10,4	12,2	7,7	9,4
Return on equity, %	-3,8	13,7	16,6	9,7	11,6
Return on capital employed, %	-3,0	17,7	20,4	12,9	16,7
Equity/assets ratio, %	58	58	61	60	77
Debt/equity ratio, %	6	3	11	6	0
OTHER					
Average no. of employees	318	303	303	301	282
Pulp production, 1 000 tonnes	412,6	406,0	393,6	401,2	374,1
Pulp deliveries, 1 000 tonnes	416,5	408,3	382,5	395,9	374,1
List price of NBSK pulp, USD per tonne ¹	843	984	1 167	882	802
SEK/USD ²	9,21	9,46	8,69	8,54	8,56
List price of NBSK pulp, SEK per tonne	7 765	9 304	10 144	7 530	6 867

¹ Source: Market listing once a week. Annual average based on weekly quotations.

² Source: The Riksbank's yearly average.

Quarterly data, Group

	2020				2019				2018			
INCOME STATEMENT, MSEK	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net turnover	490	508	510	585	546	617	582	630	580	567	576	537
EBITDA	-65	32	31	80	-5	81	131	167	37	136	118	101
Depreciation/amortisation and impairment losses	-30	-28	-29	-32	-25	-27	-28	-26	-27	-25	-24	-23
EBIT (Operating profit/loss)	-95	4	2	48	-30	54	103	141	12	111	94	78
Financial items (net financial items)	-4	-5	-5	-5	-7	-5	-5	-5	-5	-5	-4	-5
Profit/loss after financial items	-99	-2	-3	43	-37	49	98	136	7	106	90	73
Tax on profit/loss for the period	22	0	0	-11	8	-10	-21	-28	2	-24	-17	-16
Net result	-77	-1	-3	-32	-29	39	77	108	9	82	73	57
PER SHARE, SEK,												
Earnings per share, SEK	-0,50	-0,01	-0,02	0,21	-0,19	0,25	0,51	0,71	0,06	0,54	0,48	0,37
OTHERS												
Pulp production, 1 000 tonnes	95	110	98	109,4	100,4	100,3	107,7	97,6	93,6	100,0	100,1	99,9
Pulp deliveries, 1 000 tonnes	107	107	93	110,0	103,2	110,8	95,2	99,1	94,3	92,5	97,5	98,2
Pulp list price	7 382	7 465	8 226	7 988	7 950	8 753	9 900	10 527	11 056	10 983	10 047	8 584
NBSK, SEK per tonnes												

Alternative performance measures

Alternative performance measures (APM) are financial measures that are not defined in IFRS and are presented outside the financial statements. Rottneros uses the following APMs: Cash flow after investments, Net debt/net cash, Capital employed, Return on capital employed, Return on equity, Equity/ assets ratio and Debt/equity ratio. The Company believes that these key ratios are useful for readers of the financial statements as a complement to other key performance

indicators to assess the Rottneros Group's financial position and profitability. Rottneros also uses the key indicators P/E ratio and Direct yield, which the Company believes are relevant for investors and other readers. APMs can be defined in different ways by other companies and therefore may not be comparable with similar measures used by other companies.

Definitions of key ratios

CAPITAL EMPLOYED

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

CASH FLOW AFTER INVESTMENTS

Cash flow from operating activities less investments in non-current assets.

DEBT/EQUITY RATIO

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

DIRECT YIELD

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

EARNINGS PER SHARE

Net income divided by the average number of shares.

EBIT

Profit before financial items and income taxes (operating profit).

EBITDA

Operating profit before depreciation/ amortisation and impairment losses.

EQUITY/ASSETS RATIO

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

NET DEBT/NET CASH

Interest-bearing liabilities minus cash and cash equivalents.

P/E RATIO

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

PROFIT MARGIN

Profit after financial items as a percentage of net turnover.

RETURN ON CAPITAL EMPLOYED

Operating profit as a percentage of average capital employed (average of capital employed at the beginning of the year and at the end of the year).

RETURN ON EQUITY

Net income as a percentage of average shareholders' equity (average of shareholders' equity at the beginning of the year and at the end of the year).

SHAREHOLDERS' EQUITY PER SHARE

Shareholders' equity divided by number of shares.

Glossary

ANAEROBIC WATER PURIFICATION

One of Rottneros four cleaning steps of outgoing wastewater. In the anaerobic step material in the wastewater is decomposed and methane gas is produced using bacteria in an oxygen-free environment.

BEK

Bleached Eucalyptus Kraft pulp.

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).

BSKP

Bleached Softwood Kraft Pulp.

BULK

How thick a paper is in relation to its weight. The bulk is affected by whether the paper is glossy, coated or uncoated and by the basis weight.

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.

COD

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

CTMP

Chemi-Thermo-Mechanical Pulp. Development of TMP, where the mechanical pulp is impregnated with chemicals. Stronger than TMP. The term is used in Europe for both bleached and unbleached pulp.

ECF

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

E-PULP

Pulp used in electrotechnical applications. Rottneros' product name for E-pulp is Robur Flash E-grade.

FAO

UN:s agricultural and food organisation.

FSC®

Forest Stewardship Council. Certification for sustainable forestry.

GHG SCOPE 1

Carbon dioxide emissions from fossil fuels in own manufacturing.

GHG SCOPE 2

Carbon dioxide emissions from electricity and other energy purchased for the business.

GROUNDWOOD PULP (SGP)

Mechanical pulp based on roundwood as a raw material.

HIGH-YIELD PULP

Groundwood pulp, TMP and CTMP/BCTMP.

LIGNIN

Polymer compound consisting mainly of phenylpropane units; the main binding agent for wood fibre. It comprises about 1/3 of the wood.

LONG-FIBRE PULP

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

LTIFR

Lost Time Injury Frequency Rate indicates the number of accidents with sick leave per million hours worked.

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.

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 longfibre sulphate pulp.

NORD POOL

Nordic electricity exchange started in 1996 by Sweden and Norway. Member countries are

OPACITY

Degree of opaqueness.

PEFCTM

Programme for the Endorsement of Forest Certification. Certification for sustainable forestry.

PFAS

Collection names for fluorinated substances.

PIX

Pulp price index.

POROSITY

Air permeability, analysis method for determining the permeability for gas or liquid.

PULPACKTION

One of EU's innovation projects.

RESIDUALMIX

The mix of electricity produced distributed on renewable only produced electricity, nuclear-produced electricity and fossil-produced electricity that remains after the sale of electricity with guarantees of origin. The environmental impact of the residual mix is measured as CO₂ emissions per kWh.

SHIVE CONTENT

Proportion of unseparated fibres found in the pulp.

SHORT-FIBRE PULP

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

SIA ROTTNEROS BALTIC

Rottneros wood procurement company in Latvia.

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.

Annual General Meeting

The Shareholders in Rottneros AB (publ), reg. nr. 556013-5872, with its registered office in Sunne, have been invited to the Annual General Meeting on Wednesday 28 April 2021. The AGM will only be carried out through advance voting (postal voting), pursuant to temporary legislation.

The complete notice is available on the company's homepage, www.rottneros.com.

REGISTRATION AND NOTIFICATION:

Shareholders who wish to participate in the proceedings of the AGM shall:

- be registered as shareholders in the register of shareholders maintained by Euroclear Sweden AB on Tuesday, 20 April 2021, and
- give notice of their intention to participate in the AGM by casting its advance votes to Rottneros AB, AGM 2021, c/o Advokatfirman Vinge KB, Box 110 25, SE-404 21 Gothenburg, or by e-mail to rottneros@vinge.se. The advance voting shall be received by the company no later than Tuesday 27 April 2021.

The advance voting form and submission instructions are available at www.rottneros.com. The advance voting form is considered as the notification of attendance to the AGM.

NOMINEE-REGISTERED SHARES

Shareholders who have their shares registered with a trustee, i.e. stored with a custody account, must register the shares in their own name in the share register kept by Euroclear Sweden AB, to attend the meeting. Such registration must be executed no later than Thursday, 22 April, 2021 and should be requested in good time before this day with the trustee managing the shares.

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