



ANNUAL REPORT

2021



ROTTNEROS

# Rottneros

Rottneros is an independent global supplier of premium market pulp to selected niches. A new focus is development and sales of moulded fibre trays. We are a profitable and sustainable company that can contribute to a better and cleaner world through our products and our responsibility.

We constantly improve our offering, working in close customer relationships, with care for the environment and through high technical expertise. By focusing on the best interests of people, we create a respectful workplace and a secure foundation for engagement and innovation.

PURE POSSIBILITIES

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# Strong and eventful year, niche strategy produces results

2021 was both an eventful and strong year in terms of results. The development of Rottneros' strategic position as a leading niche player in several areas continues unabated in combination with our focus on efficiency and sustainability.

2021 was an intense year with a strong performance for Rottneros, mainly because of our targeted efforts to develop the Group to the next level. Our dedicated employees, strong balance sheet and efficient facilities were critical for addressing both the challenges and the opportunities we encountered.

## SUSTAINABLE AND ATTRACTIVE EMPLOYER

Employee safety always comes first. We focused heavily on their well-being during the year, including the psychosocial impact of the pandemic. Employee surveys were changed to every two months to take the pulse of the organisation, instead of once a year. We continued to take a structured approach to work efficiently with distancing and to enable those who could to work from home. Read more about how we have dealt with the coronavirus pandemic on page 44. To further improve safety in the long term, we continue to work on soft values such as safety culture and behaviours, combined with gradual investments to eliminate accident risks in our operations.

Our organisation is undergoing a generational and skills transition, and it is clear that our targeted efforts to strengthen the Rottneros brand as an attractive and exciting employer in the locations where we operate have produced results. Our recruitment efforts were successful during the year, with our new highly competent employees matching the required skills by a good margin.

## STRONG AND STABLE PULP MARKET IN EUROPE

The pandemic continued to impact the pulp market in 2021. Global logistics faced major challenges, causing sharp increases in container freight rates. The disruptions resulted in relatively isolated sub-markets, which caused pricing to be more regional rather than global. Overall, this meant reduced competition in the European market, where the list price for NBSK rose to record levels, around 1 340 USD, during much of the second half of the year. At the same time, prices in China fell from the second quarter onwards due to a worsening market balance.

Our niches performed well, with growing demand over the course of the year. We increased in packaging and in the fast-growing market for unbleached pulp, UKP. As a result, tissue paper and printing and writing papers accounted for a smaller share of sales. Customers appreciate both our high level of service and the high quality of our pulp.

## UNPLANNED STOPS AND HIGH ELECTRICITY PRICES IMPACTED PRODUCTION

Our focus on preventive maintenance and continuous improvements remained successful in 2021. However, the clear progress in gradually increasing production capacity was offset by some larger unplanned disruptions. We were also forced to curtail production at Rottneros Mill during the second half of the year due to high electricity prices. Consequently, production for the year did not fully meet our expectations.

The electricity market was a concern mainly in the second half of the year, as the high summer prices rose even higher in the autumn. Nevertheless, there was no significant impact on our profit because of our highly effective electricity price hedges. During the autumn, we initiated an analysis of the potential of a more long-term, structural approach to reduce our exposure to volatile electricity prices, in addition to electricity price hedging. At the same time, we became even more determined to continuously improve our internal efficiency to address challenging external factors.

## A NEW ROTTNEROS TAKES SHAPE

Nykvist Skogs, which has been part of the group for a couple of years, is now fully integrated into the group. In combination with our investment in fibre trays within Rottneros Packaging, this means that a new Rottneros, with more strong and growing operational pillars, is starting to take shape. Nykvist Skogs adds significant value through improved management of raw material flows to Rottneros Bruk and through its focus on the large and important group of private forest owners. At the same time, Packaging is ready to take the next step and significantly increase capacity within the joint venture with Arctic Paper. The initiative is in line with the times, given the rapidly growing demand for renewable food packaging. For example, to comply with a new EU directive, Sweden introduced a ban on certain single-use plastic articles from 1 December 2021.

## STRONG PROFIT AND CASH FLOW PAVED THE WAY TO RESUME DIVIDEND

Solid profitability combined with a strong and balanced balance sheet are fundamental to our strategy of creating long-term sustainable value. We work actively and continuously to implement this strategy. In July, we redeemed our outstanding



bond and replaced it with bank financing. Strong earnings and cash flow enabled us to reduce our debt burden by 266 MSEK, while maintaining good liquidity. As a result, our financing costs were significantly reduced. Our successful emergence from the pandemic is further confirmed by the resumption of the dividend in the autumn. An Extraordinary General Meeting resolved to distribute 0,45 SEK per share, corresponding to about 50 percent of total net profit for 2019 and 2020. Our financial position was solid at year-end. Available liquidity amounted to 443 MSEK, net cash to 16 MSEK and the equity ratio was an impressive 64 percent.

#### **SIGNIFICANT EVENT AFTER THE END OF THE YEAR**

After the end of 2021, Russia attacked Ukraine, something we sharply condemn. It is with anxiety and dismay that we follow the development. Rottneros has limited exposure to Ukraine and Russia, less than 1 percent of the total sales. Sales to Ukraine are negatively affected by the war, while all business with Russia now have been suspended. The greatest impact on the company is indirectly through higher prices for energy and freight and other possible imbalances in the market.

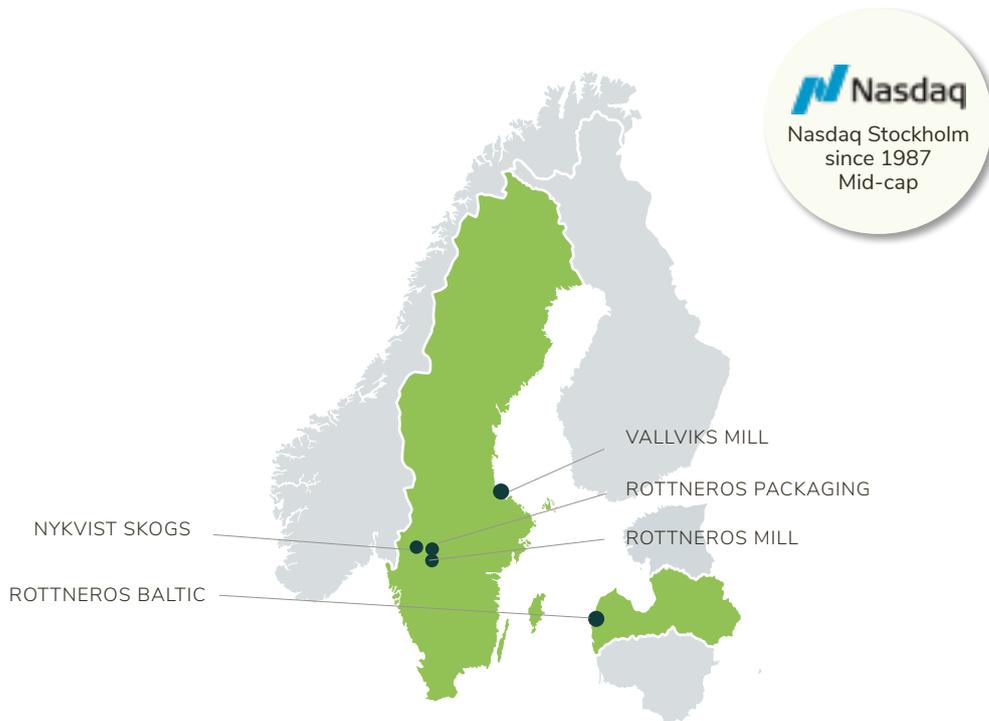
#### **SUSTAINABLE DEVELOPMENT**

We develop our business in line with the long-term targets adopted by the Board of Directors, where sustainable development can be found on various levels as a clear common thread in everything we do. Above all, we care about our employees, the environment and sound financial performance. One of the key objectives is to make the Group fossil free by 2030. We are now formulating a clear plan for this purpose. Our investments in our core business primarily focus on increased sustainability and higher availability.

In conclusion, I am extremely proud and pleased to work at Rottneros, with our fantastic employees. I would like to extend a warm thank you to them. I would also like to thank our customers and suppliers, as well as the owners and the Board of Directors. We are quite confident about the future, especially since Rottneros and the forest industry are part of the solution to the climate problem.

**Lennart Eberleh**  
CEO and President

# Rottneros in brief



## VISION

### Always make a difference

The vision motivates us in our daily lives and in our relationships with customers, colleagues, partners and others. Always making a difference, large or small, is our common aim and moves us forward towards continuous improvement.



## BUSINESS CONCEPT

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

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



#### WHAT DOES THE ORGANISATION LOOK LIKE?

Rottneros has over 100 years of experience in pulp production. Vallvik Mill in Hälsingland produces chemical sulphate pulp and Rottneros Mill in Värmland produces mechanical pulp. The subsidiaries Rottneros Baltic in Latvia and Nykvist Skogs in Värmland provide the mills with pulp wood from certified and sustainably managed forests. Rottneros Packaging in Sunne develops and produces moulded fibre trays. Group-wide functions are managed via Rottneros AB, which is listed on Nasdaq Stockholm, Mid Cap.



#### WHAT DO WE DO?

Independent and flexible niche producer of chemical and mechanical market pulp of the highest quality. Development and production of fibre-based eco-friendly food trays. A high standard of technical service and specialist knowledge of end-use areas for these products provides customers with clear added value that contributes to sustained profitability over time.



#### HOW DO WE WORK?

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. The operation is run responsibly towards our financial, environmental and social sustainability goals.



#### FOR WHOM AND WHERE?

The majority of our production goes to board and packaging paper, which is also a growing market. Our strongest position is in the market for air and liquid filters, as well as pulp for electrrotechnical insulation materials. Rottneros products are sold worldwide, with an emphasis on Europe. Asia is a rapidly growing market. Read more about the market and applications on pages 8, 12, 13 and 28-35.



#### SUSTAINABLE!

We have the privilege of working with a renewable raw material that is part of a cycle, without beginning or end. Rottneros' operations primarily contribute to five of the UN's Sustainable Development Goals, through renewable and recyclable products from sustainable forestry. Together with the entire forest industry, we are part of the solution for a cleaner world.



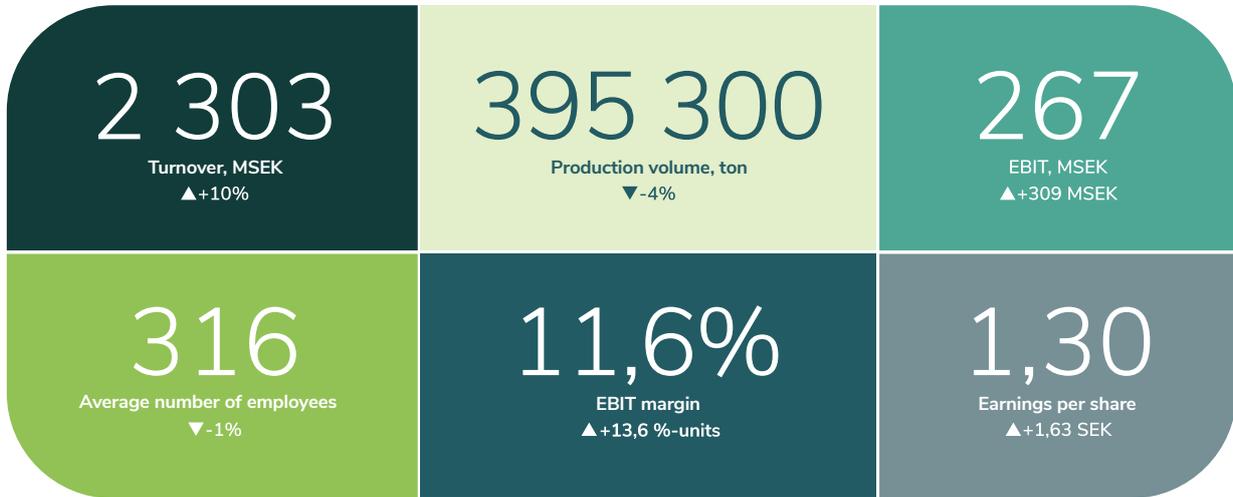
#### OUR VALUES

**We are committed, We respect everyone,  
We are professionals**

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

- We are committed to each other, to the community and to operating with the lowest possible environmental impact.
- We respect all people and encourage diversity. This approach enhances our creativity and innovation power.
- We have high expectations of ourselves and each other. We always think of our own safety and the safety of others.
- We love solutions that combine research, technological development and eco-friendly products.
- We want to understand, propose and implement in practice.

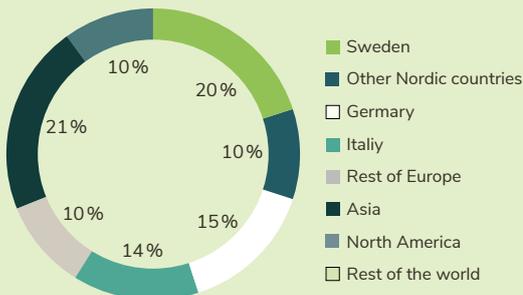
# The year in brief



MSEK UNLESS OTHERWISE STATED	2021	2020	Change
Net turnover	2 303	2 093	210
EBITDA	385	77	308
EBIT (operating profit)	267	-42	309
Profit after financial items	246	-61	307
Net result	198	-50	248
Earnings per share, SEK	1,30	-0,33	1,63
Cash flow from operating activities	288	85	203
Production, thousand tons	395,3	412,6	-17,3
Deliveries, thousand tons	403,2	416,5	-13,3

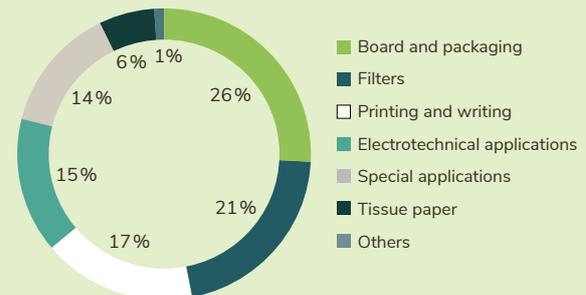
## NET TURNOVER PER GEOGRAPHICAL MARKET

Distribution in percent of turnover, MSEK



## SALES OF PULP PER APPLICATION

Distribution in percent of turnover, MSEK



## Important events during the year



### FACTORY IN POLAND FOR SUSTAINABLE FIBRE TRAYS

In October, Rottneros and Arctic Paper signed a letter of intent for a 50/50 joint venture to build a moulded fibre tray factory in Kostrzyn, Poland. The investment is expected to amount to approximately 12-15 MEUR. The plant is scheduled to begin operations by the end of 2023, with an estimated annual capacity of 60-80 million packages. Part of the production will be intended for high-barrier packaging, with extended shelf life of food products.



### ENVIRONMENTAL INVESTMENTS

In connection with Vallvik Mill's maintenance shutdown in September, a number of investments were made to further reduce emissions to water. The investments amounted to 33 MSEK and were linked to the mill's updated environmental permit, which has now come into force for an annual pulp production of 255 000 tonnes. Rottneros Mill invested 40 MSEK in the biomass boiler for increased availability and a reduced need for fossil fuels when drying the pulp.



### DIVIDENDS TO SHAREHOLDERS

The Extraordinary General Meeting in September approved, in accordance with the Board's proposal, a dividend of 0,45 SEK per share. The dividend corresponds to a total amount of 69 MSEK. The decision was based on Rottneros' robust business development, solid financial position and new financing.



### NEW FINANCING

In July, Rottneros AB entered into a new loan agreement for 150 MSEK and revolving credit facilities for up to 100 MSEK. The purpose was to refinance Rottneros' outstanding bond loans. The new financing solution is expected to reduce Rottneros' financing costs by approximately 13 MSEK per year. The new financing agreement has a maturity of two years with the option of extension.

## Goals for profitability, social sustainability and the environment

Read more about Rottneros' sustainability work on pages 41, 50-53.

\* 48%

Distribution of net profit,  
Target: 30-50%

-4%

Pulp production/year, growth  
Target: 3%

-0,7

Emissions, COD/ton  
Target: Annual reduction

18%

Proportion of female employees,  
Target: 30% by 2025

64%

Equity ratio  
Target: Minimum 50%

7%

Share of revenue  
of net sales, not from pulp  
Target: Minimum 10% year 2023

-1 135 ton GHG Scope 1  
+7 147 ton GHG Scope 2

Target: Annual reduction of fossil  
carbon dioxide emissions CO<sub>2</sub>  
to fossil-free production by 2030

-1,6

Change of LTIFR  
Target: Annual reduction

\* Based on the total result for 2019 and 2020.

# Rottneros' market

Demand for pulp is increasing worldwide over the long term, with a focus on emerging Asian markets. The tissue and packaging board niches show the fastest growth.

The demand for clean and sustainable food packaging is steadily increasing. Rottneros' main market is Europe, where about 18 million tonnes of market pulp is consumed annually, more than a quarter of global consumption.



# Structural drivers

# 1

## Long-term economic growth, geographical shift

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. Over the past five years, demand for market pulp has grown by about two percent annually, with Asia accounting for 90 percent of this increase and thus becoming increasingly important for the sale of Rottneros' products.

# 2

## Increased need for tissue paper

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

# 3

## Digitalisation of media

Digitalisation is reshaping the market structure and has had an even greater impact because of the coronavirus pandemic. The trend is moving away from pulp for printing and writing papers towards pulp for other applications such as packaging, tissue paper and specialty paper. The steady growth of e-commerce is driving the need for packaging.

# 4

## Growing demand for sustainable packaging

Today's consumers are increasingly aware of the environment impact of food production, food packaging and food waste. Many studies show the advantage of board as a fossilfree and sustainable packaging material. Rottneros is active in this transition through its focus on pulp for board and its own tray production, without the addition of harmful chemicals.

# 5

## Expansion of electricity networks

The green shift towards renewable energy sources is increasing the need for new electricity infrastructure, especially in Europe and the US. This trend is leading to increased demand for E-pulp, which is used for electrical insulation in transformers. The strong economic expansion in Asia is also contributing to increased demand for E-pulp, for which Rottneros is a world-leading supplier.



# High demand in Europe, pulp prices at record levels

The pandemic continued to impact the pulp market in 2021.

The imbalance in global logistics contributed to limited transport options for paper and board from China, with rising demand for pulp in Europe as a result. Consequently, prices in Europe were at record levels for most of the second half of the year. The pulp market is growing long term, mainly due to rising demand for hygiene products and packaging in the rapidly growing countries in Asia and South America.

## GLOBAL USE OF VIRGIN FIBRE

Globally, the use of cellulose fibre for paper, board, textiles and hygiene products amounts to about 387 million tonnes per year. Just over half of this consists of recycled fibre. The remainder largely consists of virgin fibre from either soft or hard wood. That part amounts to 178 million tonnes annually, of which about 58 percent is produced by integrated paper and board mills.

The remainder, around 75 million tonnes, consists of market pulp. It is dominated by chemical pulp, about 45 percent of which is long-fibre pulp made from softwood. The proportion of mechanical pulp is relatively modest, about 4 million tonnes.

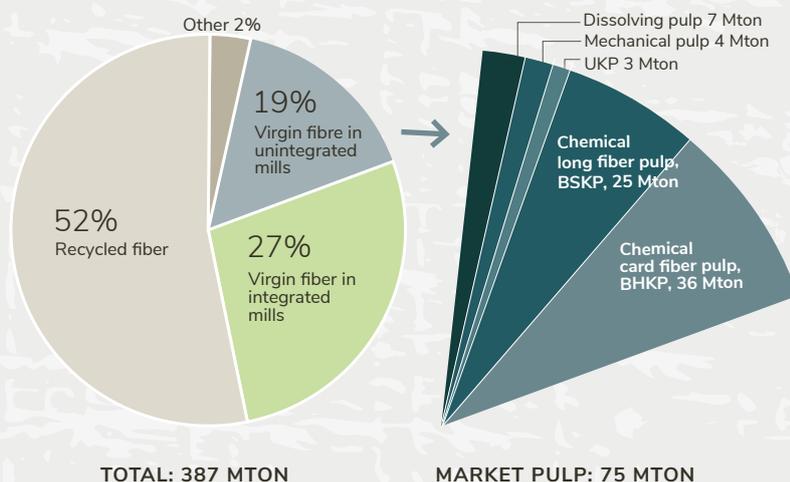
Europe, which is Rottneros' main market, consumes about 18 million tonnes of market pulp annually, corresponding to about 24 percent of global consumption. About half of all market pulp worldwide, about 35 million tonnes, is consumed in Asia,

including 23 million tonnes in China. The North American market, which is dominated by hygiene products and specialty paper, amounts to about 8 million tonnes.

## ASIAN EMERGING MARKETS

Demand in the mature industrialised countries is generally stagnant or declining, while in the Asian markets in particular, consumption shows long-term growth. The strong industrial expansion and gradually improving living standard are fundamental driving forces behind the growing use of pulp in these countries. China is currently the world's largest buyer of market pulp and since 2010, the country has increased its share of the global market from just over 20 percent to about 36 percent. Due to imbalances in the market, the development in 2021 deviated from the long-term trend. Demand for market pulp rose in Europe, while it fell in China and the rest of Asia.

## Global use of cellulose pulp



Market pulp is usually sold from unintegrated pulp mills, without their own further processing. The pulp is sold mainly to paper or board manufacturers, without its own pulp mill. Some is also purchased by integrated mills, as a complement to their own production.

A total of 19 percent of the world's use of cellulose fiber (75 Mton) is market pulp.

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



Tissue and hygiene products have a fast growth. Today, the end use area accounts for about 41 percent of the global consumption of market pulp.

#### DIGITALIZATION CHANGES THE MARKET STRUCTURE

Ten years ago, more than 40 percent of the world's market pulp was used for production of graphic paper, referred to here as printing and writing papers, while consumption today is around 23 percent.

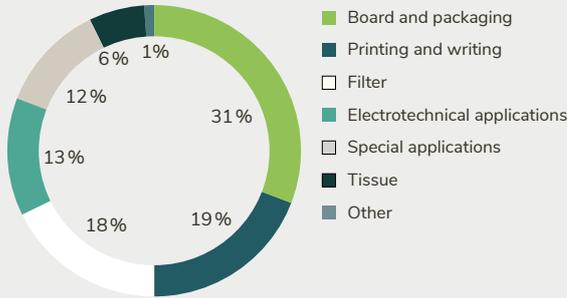
The digitalisation of media has entailed major efforts to adapt production to the gradually declining demand. Pulp producers must continue to turn to other customer segments and product niches moving forward. The trend is shifting from

printing and writing papers to pulp for packaging, specialty papers and the fastest growing applications, tissue and hygiene products.

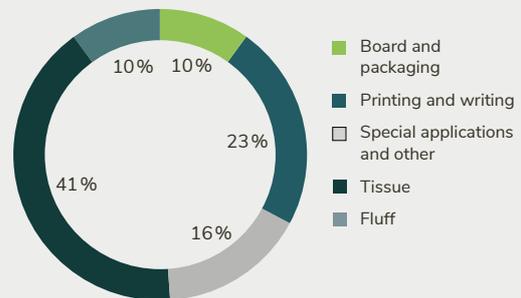
Tissue paper is currently the largest application for market pulp, and currently accounts for approximately 41 percent of global consumption. China is the world's largest tissue market, followed by the US. Tissue is mainly produced in non-integrated paper mills. However, tissue paper is a smaller application for Rottneros at around 6 percent of deliveries.

# Deliveries per area of use

**ROTTNEROS**  
Distribution in % of deliveries, ton



**GLOBAL PULP MARKET**  
Distribution in % of deliveries, ton



Digitization of media has reduced the need for printing and writing paper and e-commerce entails a great need for paper for packaging and wrapping.

## STRONG PRICE TREND IN EUROPE DURING THE YEAR

The pandemic continued to impact the pulp market in 2021. Global logistics were also impacted, causing sharp increases in container freight rates. Isolated islands were created where the pricing of pulp became more regional than global. Demand for pulp in Europe was high in 2021, in part because there was no competition for paper from China, and in part because it was not possible to redirect supplies that originated in South America to destinations in Europe. As a result, the list price of NBSK rose to record highs that continued through much of the second half of the year, around 1 340 USD, even though prices in China fell from the second quarter onwards. The net pulp price in China for NBSK fell to around 790 USD, or by 20 percent compared with its peak in Q2.

## DEMAND AND DELIVERIES FOR THE YEAR

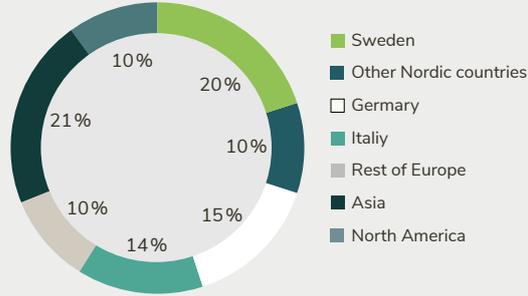
In 2021, demand for market pulp decreased by 3,2 percent, to around 75 million tonnes. Demand for unbleached pulp continued to be strong at +26 percent, driven by the shortage of recycled fibre for production of packaging, but also by continued good growth in various niche applications.

Tissue paper deliveries worldwide fell by 2 percent, mainly because of record demand during the pandemic in 2020.

Deliveries of printing and writing papers grew by a total of 6 percent in the market compared with 2020, when deliveries decreased by 10 percent. However, the forecast is that the structural decline in printing and writing papers continues.

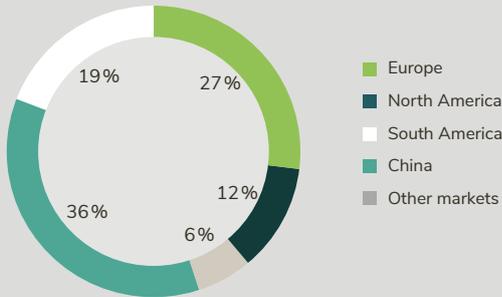
# Deliveries by geographic market

ROTTNEROS TOTAL SALES IN % OF SALES, MSEK



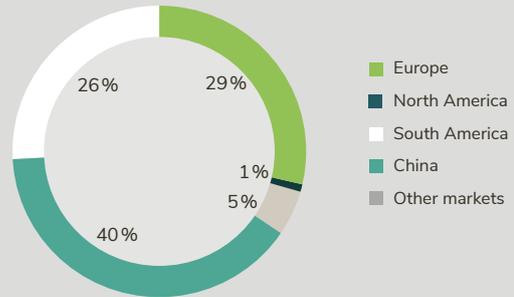
## Chemical market pulp

GLOBAL DEMAND PER MARKET

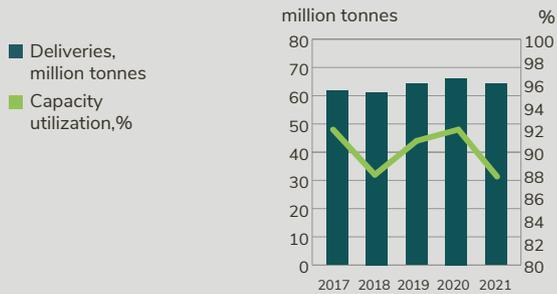


## Mechanical market pulp

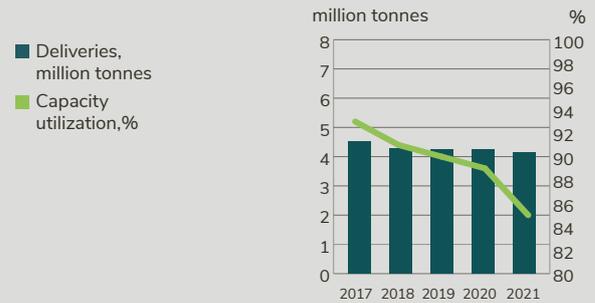
GLOBAL DEMAND PER MARKET



GLOBAL DELIVERIES AND CAPACITY UTILIZATION



GLOBAL DELIVERIES AND CAPACITY UTILIZATION



## PULP PRICES (NBSK)



## PULP PRICES (BCTMP)



**ROTTNEROS FOCUSES ON SELECTED NICHES**

Rottneros' strategy focuses on market leadership in selected niches, both current and new. The long-term objective is to increase the proportion of sales that go to markets with good growth and profitability. The Group is focusing on growing in pulp for board manufacturing, where it already has a strong position. Continued growth is also predicted in the market for pulp for air and liquid filters, where Rottneros holds a leading market position. E-pulp is another important product that is excellent for purposes such as electrical insulation in transformers. The strong economic expansion in Asia and Latin America will help to boost demand in the future, as will the expansion and modernisation of power grids currently underway in Europe and the US.

Printing and writing papers will remain an important niche due to their significant size.

**FOOD AND BEVERAGE PACKAGING**

The high quality of Rottneros' pulp makes it well-suited for food and beverage packaging. The unbleached sulphate pulp produced in Vallvik Mill is ideally suited for the growing application of brown liquid packaging board. The mill's large washing capacity makes it possible to produce a very pure unbleached pulp, which gives Rottneros a competitive advantage and a strong market position.

The long-term investment in fibre trays at Rottneros

Packaging is also a good fit with the company's strategy. Rottneros' extensive experience of fibre trays for foods and strong expertise in mechanical pulp, the main raw material in the trays, are key advantages over its competitors.

Groundwood pulp from Rottneros Mill is a competitive alternative for tissue paper and board, as well as for thine printing paper, particularly where opacity requirements are high.

**IMPORTANT TO BE CLOSE TO CUSTOMERS**

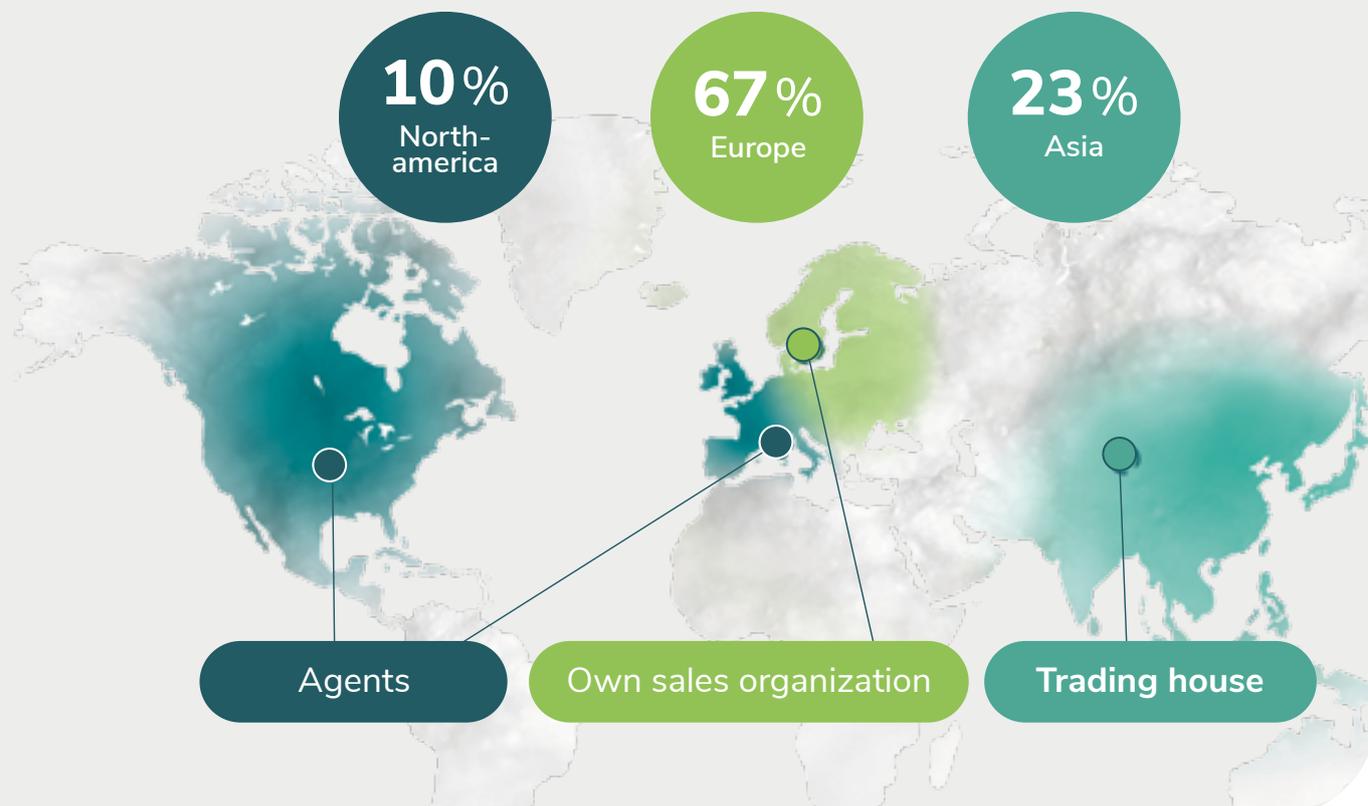
The Group is focused on leveraging its expertise, in terms of both technology and production, to establish and advance its strong market position within these selected niches. A close relationship with customers and a solid understanding of their needs and operations are required to accomplish this objective. When customers need to switch their production from printing and writing papers to other paper grades, we can quickly offer other suitable options from the broad product portfolio.

In recent years Rottneros has strengthened its sales organisation in the main market, Europe, in order to be closer to its customers and offer the best possible service.

Around one third of the Group's sales are to markets outside Europe. In particular, mechanical and chemical pulp are exported to Asia, while chemical pulp is exported to the northeastern US. Despite strong domestic production in North America, there is a clear need for the specialty pulps that Rottneros produces for certain niches.

**Global use of cellulose pulp**

Based on turnover.



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

# The Rottneros Group certifications and awards

## Certified pulp production

Rottneros pulp production is certified according to international standards for quality, environmental and energy management systems (ISO 9001: 2015, ISO 14001: 2015 and 5001: 2018).

All our pulpe grades are also approved for the production of paper and cartons intended for food contact and labeling with The Nordic Swan and the EU Ecolabel.



## Certified food trays

Rottneros food trays holds certificates for contact with foods and are available as FSC® certified.

## Sustainable forest raw material

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



## Awards

Ecovadis has awarded our mills the grade silver for our sustainability performance in 2020 and 2021.



### FSC® CERTIFICATE

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

PEFC is the world's largest certification system for sustainable forestry with a holistic view of the environment, social issues and the economy. PEFC has its roots in family forestry and the purpose is for the system to suit both the many family forestries and the larger companies. PEFC is based on local conditions and close cooperation with everyone affected by forestry, including forest owners, outdoor life and trade unions, while complying with international regulations. In Sweden, 16,5 million hectares of forest land, approximately 49 000 property holdings and 3 650 forest contractors, are covered by the PEFC certification.

### ECOVADIS

EcoVadis evaluates suppliers based on issues of the environment, labor law and human rights, business ethics and sustainable purchasing. The evaluation is based on international standards for each area and therefore becomes a valuable tool for us in our own sustainability work. EcoVadis has awarded our mills the grade silver for our sustainability performance. This was the second time the Group's pulp mills participated in the survey. Out of 100 possible average points, Vallviks Mill received 64 and Rottneros Mill 60 points. This means that we are better than 91 percent and 87 percent, respectively, of all companies surveyed this year.

# Strategic development through responsible business

To implement the business concept, achieve the goals and move towards the vision, Rottneros has set strategic priorities that include safety, sustainability, productivity, developing the offering, focusing on niches and increasing the share of revenue that does not originate from pulp sales. Operations are run responsibly towards our financial, environmental and social goals to remain sustainable.

## Safety

The safety of Rottneros' employees always has the highest priority. We have a "zero vision" approach regarding injuries. It permeates the entire business and we apply a structured and targeted approach to avoid workplace accidents.



## Sustainability

Pulp and trays from fibre are part of the transition to a climate-smart society. Sustainability permeates everything from raw materials and production to our contribution of renewable products to replace fossil fuels. Rottneros is traceability-certified, which guarantees that the raw material does not have a controversial origin. With high environmental targets, we work continuously to minimise negative environmental impacts.



## Productivity

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



## Offering

Rottneros develops pulp grades for selected niches and will increase the portion of sales that goes to end products with clear market growth. This is achieved by combining the products and specialised expertise of both mills with consistent monitoring of external factors and development in close collaboration with customers. Key factors are efficient distribution, high quality of service, expansion of the offering to neighbouring niches and increasing the share of revenue that does not originate from pulp sales.



# Sustainability goals

The table below shows a summary of Rottneros' measurable sustainability goals and the outcome in 2021. Read more in the sustainability report on pages 37-57

ENVIRONMENTAL GOALS	LONG TERM GOAL	MEASURABLE GOAL	RESULT 2021 (2020)
<b>Emissions to air &amp; water</b>	Reduce emissions of oxygen-consuming substances into the water with a good margin to established conditions	Annual reduction of emissions, measured in COD / ton pulp	15,2 (16,9)
<b>Carbon dioxide emissions CO<sub>2</sub></b>	Fossil-free production according to GHG Scope 1 & 2 in 2030. Emissions from our own operations mainly come from fossil fuels and purchased electricity.	Fossil-free production 2030. Annual reduction of CO <sub>2</sub> emissions (tonnes / year)	Scope 1: 11 768 (12 903) Scope 2: 107 687 (100 540)
SOCIAL GOALS	LONG TERM GOAL	MEASURABLE GOAL	RESULT 2021 (2020)
<b>Accidents with absence</b>	Zero vision for accidents with sick leave.	Annual improvement of LTIFR	13 (14,6)
<b>Proportion of female employees</b>	Increase the proportion of female employees	Minimum 30 % year 2025	18 (17) %
FANCIAL GOALS	LONG TERM GOAL	MEASURABLE GOAL	RESULT 2021 (2020)
<b>Distribution of net profit</b>	Good return on capital to the shareholders	30-50 %	*48 (0) %
<b>Annual growth</b>	Counteract inflation of fixed costs by having an annual growth of the production volume	3 % growth	-4,2 (1,5) %
<b>Equity ratio</b>	Maintain the strong equity ratio and low equity ratio	>50 %	64 (58) %
<b>Share of revenue, not from pulp</b>	Reduce dependence on variations in pulp prices and exchange rates by broadening the business base and increasing the proportion of revenue that does not come from pulp sales.	Minimum 10 % 2023	7 (6) %

\* Based on the total result for 2019 and 2020.

# Good supply of raw material, hedges kept electricity costs stable

The favourable balance in the pulp wood market continued in 2021, which was positive for Rottneros' purchasing costs. Pulp wood accounts for almost 70 percent of variable costs and the supply during the year was good.

Periodically extremely high prices in the electricity market.

## SOURCING OF PULP WOOD

Pulp wood accounts for almost 70 percent of variable costs. Rottneros' strategy is to have a small and efficient wood procurement organisation that handles both sawmills and roundwood suppliers. The raw material is mainly sourced from the wood market around each mill. The main roundwood suppliers are the state-owned Sveaskog and the forest owners' association Mellanskog. These purchases are supplemented through Nykvist Skogs, which is active with private forest owners.

Traceability-certified wood guarantees that the raw material used does not have a controversial origin.

Around 10 percent of the pulp wood was imported in 2021, mostly from the Group's own company, Rottneros Baltic in Latvia, and mainly to Vallvik Mill, which has its own port. Imports play a key role mainly during periods when domestic suppliers have difficulty meeting their commitments.

## FAVOURABLE PULP WOOD MARKET

The supply of pulp wood continued to be good in 2021. On the one hand, the bark beetle problem increased the supply of pulp wood in some regions, and on the other hand, the production rate in the forest industry was lower, partly due to restructuring in the newsprint industry. These factors helped to balance the market and brought prices down.

A good market for the sawmills also contributed to a strong supply of chips and pulp wood. These factors were also favourable for the balance between the local wood supply and imports. The share of imports thus decreased by almost five percentage points compared with the previous year, to around 10 percent of the raw material need.

The Group used approximately 1,5 million cubic metres of pulp wood and chips. The total cost of pulp wood was 800 MSEK.

The objective is for each mill to maintain an inventory of raw material to cover two to three weeks of production, with certain exceptions.





## Small-scale forestry at Nykvist Skogs

The subsidiary Nykvist Skogs is increasing the share of pulp wood supplied to the Group by private forest owners, who account for about half of all forest ownership in Sweden. The company's small size, proximity and high level of expertise are important competitive advantages and keep local forest owners coming back year after year. CEO Pär Skinnargård describes the great personal commitment:

“We listen carefully to what the forest owners themselves want to do with their forest; they all have different aims. There is a lot more than money involved in forests. We don't just harvest trees; we do a huge amount of work with forest management and nature conservation. Everyone who works here at Nykvist has a ‘forest heart’ and does what is best for the forest – all the time and at every level. And all of our forest owners want to pass on a beautiful and viable forest.”

The forest operator Nykvist Skogs AB, based in Gräsmark in the Värmland region, has been a part of the Rottneros Group since the beginning in 2020.

### CHEMICALS A MAJOR COST ITEM

Chemicals account for more than 15 percent of variable costs. Chemicals in the sulphate process, mainly white liquor, are recycled as far as possible to minimise environmental impact. The recovery rate is around 97 percent.

Other chemicals are also used in the production process, mainly for bleaching the pulp. In 2021, the overall market prices of the chemicals that the Group uses in production decreased. To ensure production, sustainability and competitive prices, Rottneros uses a number of major suppliers, all of which have a sustainable production process.

### HIGH ELECTRICITY PRICES, BUT PRICE HEDGES KEPT ELECTRICITY COSTS STABLE

The Group's third largest variable cost item is electricity, through the electricity-intensive production at Rottneros Mill. All external electricity, about 300 GWh annually, is purchased at market price directly over the Nord Pool electricity exchange.

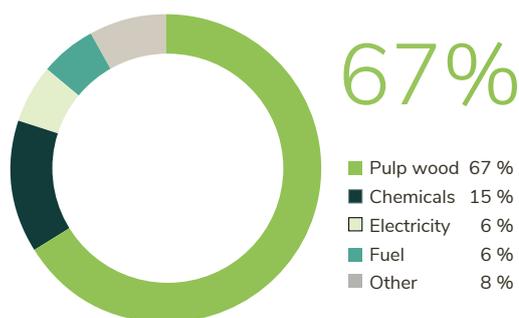
In 2021, the electricity market was turbulent. Prices remained high throughout the year and reached new record levels in the fourth quarter. The high spot prices meant that production in the groundwood line at Rottneros Mill became unprofitable for short periods and was therefore stopped on several occasions. However, Rottneros' earnings were not significantly affected by the high electricity prices, since the electricity price hedges used by the company to achieve a stable electricity cost offset the negative price effects.

Rottneros' electricity price hedges in 2021 were all against the system price and virtually all consumption was hedged. Consumption was 90 percent in the SE3 electricity area and Rottneros' price during the year was at about the same level as the system price. The hedge was therefore effective.

To achieve stable electricity costs future prices are hedged according to a set strategy. By the end of 2021, Rottneros had hedged 91 percent of electricity consumption for 2022, 100 percent of electricity consumption for 2023, 86 percent for 2024 and 57 percent for 2025. Of the total hedged volume, 56 percent is against the system price and 44 percent against electricity area SE3.

## Raw materials purchased

Share of the Group's variable costs



## Traceability

Demand for certified pulp is steadily growing and the Rottneros Group is traceability-certified under the two schemes, FSC® (Forest Stewardship Council®), where Rottneros has licence no. FSC-C107740, 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, such as illegal felling or timber from key biotopes, which can be traced back in the supply chain.

# Vallvik Mill leads in niches that demand high quality

Vallvik Mill is a globally leading supplier of E-pulp and filter pulp. Because the production process is designed as an advanced ecocycle, the environmental impact of the mill is low. This year's investments focus on safety, the environment and increased availability in the mill.

## PRODUCTION FOR THE YEAR

Vallvik Mill, with 180 employees, has a production capacity of about 240 000 tonnes per year with the current product mix. In 2021, production amounted to 222 400 tonnes, a decrease of just over 4 percent compared with the previous year. Temporary disruptions during a few brief periods impacted production negatively. In other respects, the year was marked by successful efforts to cope with the extensive consequences of the coronavirus pandemic. There were no outbreaks at the factory and only a few employees tested positive for Covid-19.

## MARKET, PRODUCT DEVELOPMENT

Both white (ECF) and brown (UKP) chemical sulphate pulp are produced alternately in the same production line.

UKP is ideally suited to the growing application of brown liquid packaging board and the mill's large washing capacity makes it possible to produce a very pure unbleached pulp, which gives Rottneros a competitive advantage and a strong market position.

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

Rottneros is also a world-leading provider of E-pulp, an extremely well-washed and pure pulp with uniquely low conductivity. E-pulp is used for electrical insulation materials, such as condenser paper or high voltage cables placed on the

seabed. In 2021, the demand for E-pulp increased significantly, largely due to the modernisation and refurbishment of the electricity grid for the transition to renewable energy sources.

## ENVIRONMENTALLY FOCUSED INVESTMENTS

Investments for the year totalled 62 MSEK, of which 33 MSEK was spent on a series of measures to minimise emissions to water under the Environment 2021 project. The investments were related to the mill's environmental permit, which allows for an annual production of 255 000 tonnes. They were implemented in conjunction with the factory's annual maintenance shutdown.

The majority of the measures aimed to increase the proportion of process water purified in the mill's biological purification plant, as well as to improve the efficiency of the pulp line and thereby reduce emissions from the bleaching process. It mostly involved upgrades of existing equipment for higher capacity, but completely new equipment and systems were also installed.

## LIMITED ENVIRONMENTAL IMPACT

The environmental impact of the mill is limited due to the advanced ecocycle of the production process. Almost all of the energy used is renewable and the self-sufficiency rate for electricity is very high. Thanks to the mill's recovery cycle, almost 100 percent of the cooking chemicals are reused. Many of the parameters for emissions in 2021 have been the lowest ever. See environmental data on pages 56-57.

## Products

ECF (Elemental Chlorine Free) Bleached long-fiber sulphate pulp used for the manufacture of filters, light cardboard products, printing and writing paper as well as special applications.

UKP (Unbleached Kraft Pulp) Unbleached long-fiber sulphate pulp used for food packaging, filters, in electrotechnical applications applications (E-pulp) and for special applications.

Percentage of Rottneros total pulp production

31%

25%

Production, ton 2021 (2020)

124 400 (133 500)

98 000 (99 200)



97%  
of the cooking  
chemicals are recycled

99%  
of the energy  
used is fossil-free

78%  
of electricity is  
self-produced



## Production process

Vallvik Mill produces bleached and unbleached chemical long-fibre sulphate pulp that strengthens the end products. Spruce and pine wood from slow-growing forests in northern Scandinavia is heated in a digester together with white liquor to release the lignin from the fibres. The pulp is then washed, sieved, bleached, purified and dried. Flash drying gives the fibres an open structure and important properties for purposes such as production of filters. The pulp is finally pressed into 200 kg pulp bales. The lignin and chemicals are recycled.

### SAFETY

10 MSEK of totally 53 MSEK invested were related to occupational health and safety. To further reduce the risk of accidents, safety work during the year also included a more structured approach to risk assessments.

### EMPLOYEES

Two new management positions were implemented in the production organisation during the autumn. The new positions were created to further optimise the organisation in order to increase production in both the short and long term. One position is responsible for production operations and the other is responsible for production development. Two trainee programmes were also held during the year, with approximately six people in each, to facilitate the ongoing generational shift within the operational organisation.

# Rottneros Mill is one of the largest producers of mechanical market pulp in Europe

The mill's sustainable production of mechanical pulp in some 25 product variants provides the most complete offering on the world market. During the year, several production records were broken at the plant.

## PRODUCTION FOR THE YEAR

About 100 people work at Rottneros Mill, which has a capacity of about 200 000 tonnes per year. In 2021, several production records were broken, both individually for the CTMP line and for the whole plant (CTMP and groundwood pulp combined). Rottneros Mill reached a production of 172 900 tonnes for the full year.

## MARKET, PRODUCT DEVELOPMENT

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.

Mechanical pulp is primarily used for production of board, printing and writing papers, filters and tissue paper. Board is a market 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 to give increased bulk (thickness) and rigidity. The diversity of product grades for Rottneros CTMP makes it possible to optimise bulk in relation to other quality aspects and thereby meet the requirements of different types of packaging board. In tissue paper, mechanical pulps make positive contributions to important properties such as absorption and bulk.

Flash drying provides an open structure and high porosity that meets the special needs of filter manufacturers.

Groundwood pulp is an excellent choice for LWC paper and other thin printing paper as it provides high opacity (low transparency) and contributes to a smooth surface on the finished paper.

## INVESTMENTS

Safety and the environment are top priorities when investing. A number of investments were made in conjunction with the maintenance shutdown in September to increase sustainability and to gradually achieve higher production. An important part was the investment of 40 MSEK in the biopulp boiler to increase availability and minimise the need for fossil fuels for drying the pulp. The biopulp boiler is a step towards achieving fossil-free production by 2030.

During the year, new compressors were installed to supply the mill with both instrument and working air. A number of activities were also carried out to increase availability and ensure high reliability. The main transformer for the grinders in the groundwood line was also replaced.

## ENVIRONMENT

Up to 98 percent of the wood can be used in the production of groundwood pulp and up to 95 percent in the production of CTMP. As a result of the high yield from the raw material and low consumption of chemicals, the environmental impact of the production process for mechanical pulp is extremely low. See environmental data on pages 56-57. However, the process is electricity-intensive, which means high exposure to variations in the electricity price, which was high throughout 2021.

For short periods, the groundwood line was stopped because of unprofitability. The company's electricity price hedges compensated for the negative price effects, for which reason financial performance was not significantly affected. 70 percent of the energy used at Rottneros Mill is fossil free. The wood is usually delivered up from the immediate vicinity of Rottneros Mill, within a radius of about 100 kilometres, to

## Products

**CTMP (Chemical-Thermo-Mechanical Pulp) Bleached / unbleached.** For board, printing and writing paper and tissue. A specially designed CTMP is flash dried and gives the right properties for filters.

**Groundwood pulp, Bleached / unbleached.** Used for cardboard, tissue, printing and writing paper - especially thin ones, where high opacity, purity and smooth surface structure are important properties.

Percentage of Rottneros total pulp deliveries

28%

Production, ton 2021 (2020)

108 900 (107 200)



16%

64 000 (72 700)





minimise transports. The natural gas used in the pulping process will be replaced by biogas produced in the mill's anaerobic purification process. The plan is to achieve the goal of fossil-free production by 2030. Emissions of CO<sub>2</sub> in production decreased by 3 percent during the year.

**SAFETY**

In 2021, safety training was organised for external contractors on the factory site. Work continued on strengthening the systematic approach to safety at the mill, aided by safety representatives. These efforts included building a system that applies a structured approach to assess and implement measures to minimise or completely eliminate risks. During the year, all safety representatives were trained in risk assessment.

**EMPLOYEES**

The focus during the year has been to raise skill levels in the workplace with respect to the physical and psychosocial working environment. The aim of this effort is to better prevent ill health and address issues and situations that may arise. The need to improve skills was also linked to the impact of the pandemic on the work environment and changes in conditions at work. See also pages 50-51.

-3%

CO<sub>2</sub> emissions in production decreased by 3% during the year.

98%

95-98% of the wood raw material is utilized



**Production process**

In the production of CTMP, the wood is first chipped and pretreated with chemicals at an elevated temperature. The chips then pass between rotating grinding discs to release the fibres. The groundwood pulp is produced using special stone rollers. The wood is pressed against the rollers and ground. The pulp is flash dried and packed into bales.

# Strong development of eco-friendly packaging at Rottneros Packaging

Rottneros Packaging manufactures eco-friendly packaging solutions, primarily for food products. In October 2021, Rottneros and Arctic Paper signed a Letter of Intent regarding a 50/50 joint venture with the aim of building a moulded fibre tray factory in Poland.

## PRODUCTION

Rottneros Packaging produces recyclable, high-quality food packaging with properties that meet extremely high demands. One of the goals is to create a third pillar within the Group. The plant is located in Sunne, about a kilometre from Rottneros Mill, where the CTMP pulp used to make the packaging is produced.

## MARKET, PRODUCT DEVELOPMENT

Demand for high-quality sustainable packaging grew rapidly in 2021 after a clear breakthrough the previous year. Production ran at full capacity as a result of the strong demand.

The business is in an intensive growth phase and is now expanding with partners to meet the rapidly rising demand. Through its strong expertise in the field, Rottneros is well equipped to take a leading position on the market. Knowledge within Rottneros Packaging also increases the potential for the rest of the Group to customise pulp products for external tray producers.

During the year, work also continued on developing different types of barriers to broaden the range of fossil-free packaging solutions.

## INVESTMENTS FOR THE FUTURE

Although the pandemic posed greater challenges than normal during the year, work continued on schedule to build and prepare the business for large volumes, with the commissioning of a compression moulding machine and a lamination line. The complete industrial concept from pulping system to a validated end product was tested at full scale, marking an important step towards establishing Rottneros Packaging as a leading player in the European market.

## ENVIRONMENT

Rottneros Packaging's focus on long-term sustainable development led to the business being FSC® certified, which means that the wood raw material always comes from sustainable forestry.

## EMPLOYEES

The organisation was strengthened during the year with the addition of several key positions as part of the gradual investment in the continued expansion of the business.

## ROTTNEROS AND ARCTIC PAPER IN JOINT VENTURE

In October 2021, Arctic Paper and Rottneros signed a Letter of Intent regarding a 50/50 joint venture in Poland with the aim of building a moulded fibre tray factory. Commissioning of the new factory is planned for the end of 2023. The investment is expected to amount to 12-15 MEUR. Production capacity is expected to be 60-80 million packages, which is four times more than the plant in Sunne.

The raw material is pulp from Rottneros Mill. Production will be intended for high-barrier packaging, known as modified atmosphere packaging, with extended shelf life for food, but also for packaging with simpler functional requirements. The trays can withstand high heat and are excellent for frozen or refrigerated ready-made food.

In addition to the opportunity to provide the market with climate-smart packaging solutions, the aim is to use the plant as a model to demonstrate the high quality of the product, as well as a scalable and competitive production.



## Products

Mechanical pulp that is moulded gains high strength and stiffness at low weight, valuable properties for food packaging. The product portfolio ranges from fast food solutions with no major demands for functionality, to gas-tight packaging that provides a shelf life of several weeks when refrigerated. The trays are suitable for food or industrial applications, hot or cold, wet or dry. They work well for freezing and defrosting in a microwave or traditional oven. The high precision allows efficient industrial stacking and top-sealing.



100%

Free from PFAS and other harmful chemicals

100%

Quality assured fiber raw material

**EU INNOVATION PROJECT PULPACTION COMPLETED, WITH ROTTNEROS AS COORDINATOR**

Rottneros was coordinator for and the only Swedish industrial partner participating in Pulpaction, an innovation project within the framework of EU Horizon 2020. The project ended in September 2021.

The purpose was to develop a completely renewable and bio-based packaging solution at a competitive price in order to contribute to more sustainable development in the packaging industry. The final result confirmed that the objectives of the project had been achieved and verified the economic, technical and functional viability of the packaging solution. It was evaluated by two brand owners in the food industry, who responded favourably and approved the results.

Rottneros worked 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 help the process move forward.



**Production process**

The raw material consists of 100 % mechanical pulp from sustainable and local forestry with high purity and without the addition of harmful chemicals. The dried pulp is transported from Rottneros Mill, where it is dissolved and diluted. In a single process, the pulp is shaped and dewatered into a final customised product, approved for food use. Finally, the trays are inspected by an in-line quality assurance system to ensure the highest quality in terms of stability, shape, colour and functionality.

# World-leading supplier in selected niches

Rottneros is a world-leading supplier of pulp for filter production and E-pulp for electrotechnical applications. At the same time, the Group has a uniquely broad product portfolio and the ability to customise products.

The world around us and customer behavior are changing at an ever faster pace. Through consistent business intelligence monitoring and the development of both its own and customised products, the Group ensures its ability to grow within current niches, as well as to find new segments with good market growth.

Rottneros is well positioned for the future thanks to the broad product portfolio, the availability of both chemical and mechanical pulp, a recognised high level of technical know-how, close

collaboration with customers and specialist knowledge within customers' processes and end-use areas.

Another important component of the Group's offering is the role of the pulp as a natural and environmentally friendly alternative to plastic-based food packaging. The Group has its own company for the development and production of molded fiber trays, Rottneros Packaging, which in the long run will create a third pillar for the business.

## Applications for our products



Board and  
packaging



Filters



Electrotechnical  
applications



Tissue paper



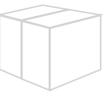
Printing and  
writing paper



Special  
applications



Moulded trays



# Board and packaging

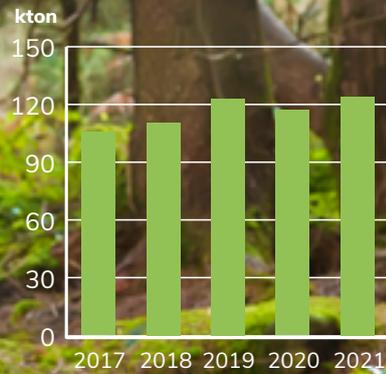
Pulp for board and packaging is an application that has long-term growth in the market and is therefore an area of focus at Rottneros. Both mills produce several types of pulp with properties that are in demand.

Rottneros' pulp meets the high demands placed on boards for cartons and liquid packaging for food products, such as milk and juice packaging. The pulp is known for its high purity and does not compromise on the taste or smell of the packaged product.

The sulphate pulp produced at Vallvik Mill is available in both as bleached and unbleached, and has high strength and convertibility. The unbleached sulphate pulp is ideally suited for brown liquid packaging board. The mill's large washing capacity makes it possible to produce a very pure brown pulp that gives Rottneros a clear competitive advantage. The CTMP pulp, which is produced in Rottneros Mill, has optimised bulk properties for the highest bending stiffness.

## Growing market

Internet commerce has exploded with the advent of the coronavirus pandemic, creating a huge demand for paper for packaging and wrapping. Another growing niche is board packaging, such as disposable packaging for food and ready-made meals. Unbleached liquid packaging board is another growing application. Sustainable and bio-based solutions are in demand worldwide to replace their fossil-based counterparts. At the same time, there is a shortage of recycled fibre. All these factors are driving demand.



Rottneros' deliveries of pulp to board and packaging

# 31%

Of Rottneros' total deliveries





# Printing and writing paper

The market for printing and writing papers is shrinking and several of Rottneros' customers need to supplement their production or convert it to options such as thin specialty paper, which is a good fit with Rottneros' broad product portfolio.



Rottneros' deliveries of pulp to printing and writing paper

Demand for printing and writing papers has declined as a result of digitalisation of media, but remains an important niche for Rottneros because of its size. The Group's pure and high-quality pulps offer clear competitive advantages when used for thin printing paper, where purity, opacity and bulk are important properties.

## New business opportunities

Declining demand for printing and writing papers with the advent of digital media has spurred leading paper producers to look for new business opportunities, such as thin printing paper and speciality paper. The market change fits Rottneros' broad product portfolio and provides new opportunities in these niches.

**19%**  
Of Rottneros' total deliveries



# Filters

Rottneros is a global leader in pulp for manufacturing filters. Specialised pulp qualities that are used for both air and liquid filters are produced at both Vallvik and Rottneros Mill.

Because of their high porosity and strength, many of the Group's pulp grades are in demand for air and liquid filters, for food as well as automotive industries. One competitive advantage that Rottneros has compared with the world's suppliers of pulp to the automotive industry is that mills' filter pulp can be combined in different versions, thereby providing a wide range of desirable properties. The Group is also a leading supplier of pulp for coffee filters. Achieving the best possible taste experience requires pulp of maximum purity and filtering capacity.

## Continued good demand

The filtration needs of the automotive industry will extend at least ten years into the future, even if the trend is towards electric cars. An aftermarket of up to 30 years is expected, since fossil fuel cars need new filters. Coffee filters are expected to decrease as alternative coffee machines that do not require filters become more popular in households.



Rottneros' deliveries of pulp to filters

# 18%

Of Rottneros' total deliveries





# Tissue paper

Tissue paper is used to manufacture paper napkins, paper towels and toilet paper. The properties of the pulp must often meet high demands.

All types of pulp at Rottneros can be used to manufacture tissue. They can also be mixed to obtain desirable properties for the respective purpose.

Properties that are important include how the paper feels against the skin, how well it holds together when wet, appearance, absorbency, softness, weight, stiffness and lightness.

## Steadily growing market

The market for tissue paper is large and relatively independent of cyclical fluctuations. Demand is growing in line with rising living standards, for example in Asia.

# 6%

Of Rottneros' total deliveries



Rottneros' deliveries of pulp to tissue



# Electrotechnical applications

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.

Rottneros is a world-leading provider of E-pulp, an extremely pure and well-washed pulp that has been developed for 20 years to reach today's uniquely low conductivity. E-pulp can be used in the most demanding insulation materials, such as condenser paper, high voltage cables on the seabed and insulation in transformers. The pulp is available in a variety of qualities.

## Expansion affects demand

With the ongoing transition to renewable energy sources, more transformers are being built, which increases demand for E-pulp. In general, this market is known for its stability and long-term customer relationships. There are only a few suppliers of E-pulp in the world.

# 13%

Of Rottneros' total deliveries

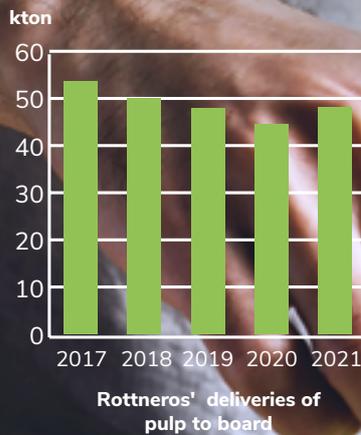


Rottneros' deliveries of pulp to electrotechnical applications



# Special applications

Through the Group's wide range of both mechanical and chemical pulp Rottneros has unique opportunities to tailor customised pulp grades.



Rottneros' wide range of pulps with a variety of properties are used for a variety of special applications. They include jeans labels, wallpaper, laminate flooring, greaseproof paper, shoe soles, thin specialty paper, fibre cement, oil and pigment absorbents and moulded fibre applications, such as our own trays manufactured at Rottneros Packaging.

## Impact of new innovations

With the high rate of innovation in fibre-based products to replace fossil-based alternatives, the area of special applications is steadily growing. One area of strong growth is fibre cement products. Fibre cement board for construction has virtually replaced asbestos cement board. Demand for thin specialty paper is also gradually increasing, as more and more customers produce thin kraft papers as a complement to other products.

**12%**  
Of Rottneros' total deliveries





# Moulded trays

Rottneros' sustainable packaging solutions meet high functional requirements and are safe, high quality, renewable and recyclable.

The moulded fibre trays are produced in Rottneros Packaging using CTMP pulp from Rottneros Mill. The main focus is on food packaging for cold and hot food that meet high customer demand for functionality and properties.

Desirable properties are mainly related to food safety, barrier properties and pulp wood traceability. Rottneros' offering in fibre packaging aims to create a third pillar for the Group in the long term.

## Strong demand for fibre trays

Demand for eco-friendly packaging is high and is also growing strongly. Rottneros' fibre trays are free from harmful chemicals, such as persistent fluorine chemicals (PFAS). We have a significantly better sustainability profile than most current packaging alternatives.



An aerial photograph showing a dense forest of green trees surrounding a dark blue lake. The forest is thick and covers most of the frame, with the lake occupying the right and bottom-right portions. The lighting suggests a bright day, with some highlights on the water's surface.

The sustainability report covers Rottneros AB and its subsidiaries during the financial year 1 January to 31 December 2021. The content is based on regularly updated analyses of significant issues for stakeholders. It is reviewed by the Group's auditor and a statement has been provided on page 101.

An aerial photograph of a dense forest with a dark, calm lake in the center. The trees are lush green, and the water reflects the surrounding foliage. The text is overlaid on the lake area.

# Sustainability report

Sustainability work is a central part of Rottneros' operations. We take responsibility for our impact on employees, shareholders, customers, suppliers, surrounding communities and the environment. We strive to achieve transparent and good communication with all those affected by our activities. By investing sustainably and doing business responsibly, we can demonstrate sustainable, long-term profitability.

# Sustainability and good profitability in financial balance drives long-term value creation

The Group's position as a sustainable, profitable and leading player in multiple niches is the result of a long-term focus that the Board and management have pursued for several years. The aim is to achieve maximum value creation based on both sustainable development and a good return on capital for shareholders. Balanced risk-taking is also important. Rottneros' products are a natural part of the solution to slow down global warming.

## THE RESULTS SHOW THAT THE STRATEGY IS SUCCESSFUL

The strong performance in 2021 confirmed the success of the Group's long-term focus on higher production levels and increased specialisation. The year was also marked by a strong pulp market in Rottneros' main market, Europe, as well as good cost control. High transport costs from China had a favourable effect on the market balance in the European market.

## SUSTAINABLE PRODUCTS INCREASINGLY IMPORTANT

The shift away from fossil-based and towards sustainable products is a high priority in society and is becoming increasingly important every day. This trend reveals not only a growing need for competitive packaging solutions, but also that the pulp market is well positioned for long-term growth. At the same time, the potential for expansion within Rottneros' various market niches remains high.

Investments should always create value for customers, shareholders and the environment, both through a good potential return and through the sustainability values we can create. Consequently, in 2021, the majority of the Group's investments focused on increasing sustainability both internally and in the community, not least by improving the environment.

## POLISH JOINT VENTURE A MAJOR MILESTONE

There is a strong consumer trend shifting towards fossil-free packaging in areas where plastics still dominate. The fibre trays that Rottneros Packaging makes have superior environmental properties that are far better than the plastic-based products that dominate the market today.

The agreement with Arctic Paper on a joint venture in Poland was an important milestone on the way to becoming a large-scale supplier of top-quality moulded fibre trays.

The investment has significant long-term potential and is the result of many years of work to develop leading expertise in this market segment.

## BALANCED DEBT POSITION

Balanced indebtedness is crucial to be able to generate the best possible return at a reasonable level of risk. For this reason, the company's financial position is characterised by a strong equity

ratio to ensure 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 of 2020 that no dividend would be paid to shareholders for the 2019 financial year. The Group was thereby able to maintain its strong equity ratio and low indebtedness in 2020, despite the weak market trend.

When market conditions significantly improved in the autumn of 2021, an Extraordinary General Meeting decided, in line with the Board's proposal, to distribute 0,45 SEK per share, corresponding to about 50 percent of total net profit for 2019 and 2020. The Group could therefore meet its long-term dividend policy of distributing 30-50 percent of net income.

## ELECTRICITY PRICES A CHALLENGE

Rottneros Mill has an very electricity-intensive production process. Consequently, volatile electricity prices with occasional price peaks were problematic, making production in the ground-wood line in particular unprofitable for brief periods in 2021. However, the price increase was offset by the company's forward electricity price hedges. To further reduce the Group's exposure to electricity prices, we are exploring to further extend the hedges. We are also investigating options to reduce structural exposure to electricity prices over time, for example through some form of ownership in electricity generation.

## CHANGE IN THE WORLD MODE

Rottneros is profoundly concerned about the situation in Ukraine and shocked by the humanitarian impact. We express our deepest sympathy to all those impacted and adding our voice to those calling for an immediate stop. The Board is assessing the immediate and indirect consequences of Russia's hostile activities based on Rottneros' corporate values and the Board's broader responsibilities towards all stakeholders.

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

**Per Lundeen**  
Chairman of the Board



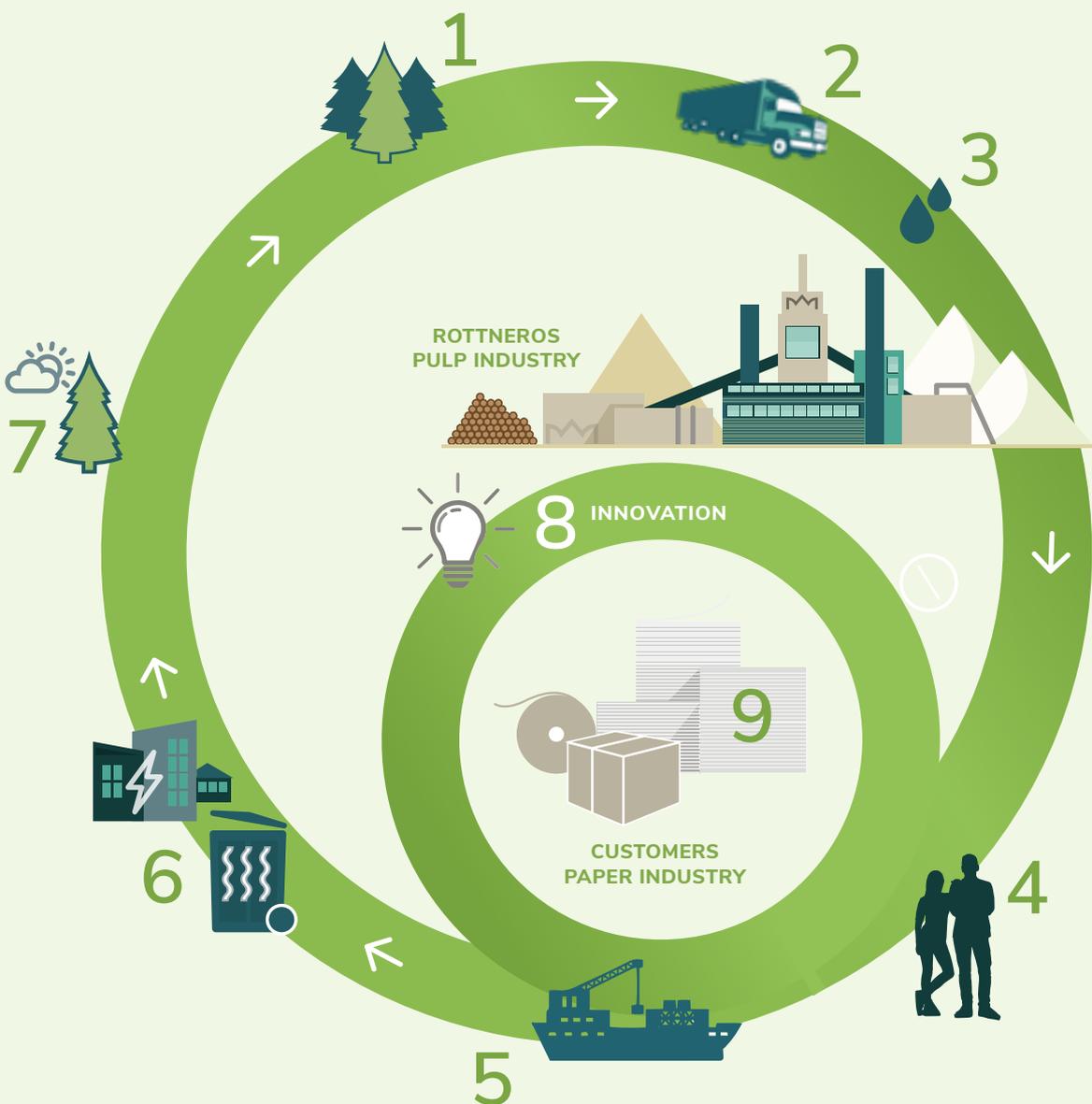
"In 2021, the majority of the Group's investments were focused on increased sustainability both internally and in society, not least through an improved environment."

# How Rottneros minimises impact in the value chain

Rottneros complies with the Government decision on a national strategy for a circular economy in Sweden. The strategy is an important step towards Sweden becoming the world's first fossil-free welfare nation. The EU taxonomy is also an important starting point in our sustainability work.

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. This helps us to take strategic decisions

regarding investments or changes in working methods and procedures. Rottneros' long-term environmental goal is completely fossil-free production according to GHG Scope 1 & 2 by 2030 and an annual reduction of fossil carbon dioxide emissions.





### 1. Forest raw material

Rottneros is traceability certified according to FSC® and PEFC. This guarantees that the raw material that is used comes from responsible forestry that there is nothing controversial about the origin of the wood and that it can be traced back in the supply chain. Read more under Raw material on pages 20-21 and Sustainability, Environment pages 52-55.



### 2. Deliveries

Deliveries of raw materials, chemicals, machinery and equipment to our units all have an impact. Eliminating these indirect carbon dioxide emissions is a long-term goal for achieving a completely fossil-free Rottneros. In the autumn of 2021, an analysis of these emissions was initiated as part of the process of eliminating them. In procurement, we also always try to choose suppliers close to our units to minimise emissions.



### 3. Production processes

Carbon dioxide emissions from our own operations mainly come from fossil fuels and purchases of electricity. Emissions of CO<sub>2</sub> mainly occur during production startup, such as after a maintenance shutdown. We constantly work to streamline our processes and to build internal cycles for recovery and recycling. During the year, Vallvik Mill invested 33 MSEK in a number of measures to minimise emissions. Read more under Sustainability, Environment pages 52-55.



### 4. 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 equality, our core values, a strong commitment and clear leadership. Some initiatives during the year include a diversity plan, new procedures for hiring managers and training in the Code of Conduct.



### 5. Sales and customer service

Transport of our pulp has an impact on the climate. In order to reduce emissions, we are focusing on efficient logistics and sustainable means of transport, such as ship and trains. In the autumn of 2021, a survey of these indirect carbon dioxide emissions began as part of eliminating them. 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. Read more under Sustainability, pages 48-49.



### 6. By-products, bio-energy and recycling

Chemical waste is treated according to legal requirements and is purified and recycled back into the factory. Some bioproducts, such as pine oil and bio-fuels, are recovered and can be sold. Paper and packaging have a high recycling rate worldwide. About 80 percent becomes new material. Wood fibre can be recycled up to seven times.



### 7. Carbon dioxide

The biogenic carbon dioxide released is reabsorbed by growing trees. Because the carbon is sequestered in the forest, it does not contribute to the greenhouse effect in the atmosphere. By investing in long-term sustainable forest management, carbon stocks can continue to increase for many years to come as the forest grows. Read more under Raw material on pages 20-21 and Sustainability, Environment pages 52-55.



### 8. Innovation

Rottneros is working on several innovative development projects to increase resource efficiency and value creation such as utilisation of surplus low-grade heat from our mills. Product development is also a constant process; one current project is to further develop the pulp to achieve oil-absorbing properties.



### 9. Products

Rottneros products can often replace fossil-based alternatives, the innovation pace in the area is high and the demand for environmentally friendly products is growing rapidly. Reducing food waste is a key to reducing the global climate. the impact. Our food trays can extend the shelf life and ensure that the food is kept fresh throughout the supply chain.

# Sustainability strategy

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

## 1. Stakeholders and their sustainability requirements

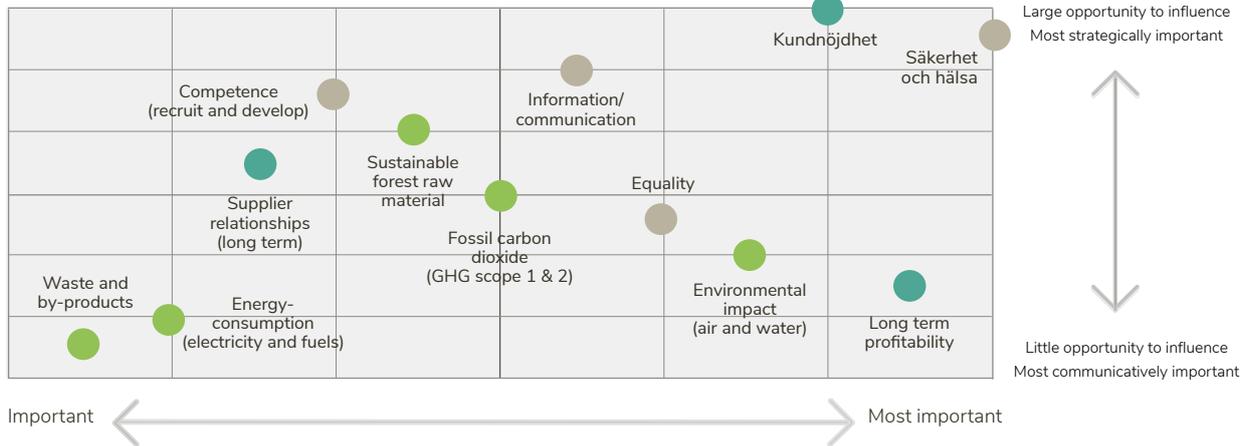
<b>CUSTOMERS</b>	<ul style="list-style-type: none"> <li>• Product quality</li> <li>• Technical expertise</li> <li>• Certified pulp</li> <li>• Delivery reability</li> </ul>
<b>EMPLOYEES</b>	<ul style="list-style-type: none"> <li>• Safety and health</li> <li>• Equality</li> <li>• Competence (recruit and train)</li> <li>• Information / communication</li> </ul>
<b>SUPPLIERS</b>	<ul style="list-style-type: none"> <li>• Rottneros' development</li> <li>• Safe workplace for suppliers</li> <li>• Fair procurement</li> </ul>
<b>SOCIETY, THE WORLD AROUND US</b>	<ul style="list-style-type: none"> <li>• Reduced emissions to air and water</li> <li>• Job opportunities</li> </ul>
<b>AUTHORITIES</b>	<ul style="list-style-type: none"> <li>• Compliance with environmental laws</li> <li>• Collaboration in dialogues / referrals.</li> </ul>
<b>CAPITAL MARKET</b>	<ul style="list-style-type: none"> <li>• Long-term profitability</li> <li>• Sustainability</li> </ul>

Rottneros has identified its focus areas and long-term targets using the most important requirements of our stakeholders as a starting point (1).

The selected issues were then ranked in order of importance, 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 (2). The focus areas selected are those identified as most important according to the assessment (3). Key performance indicators for each focus area were also identified as part of the analysis, see next page under targets. Rottneros includes all of the identified sustainability issues (1) in everyday work, but we do not put as much focus on communicating these externally as we do with our focus areas.

## 2. Materiality matrix



## 3. Selected focus areas

**FINANCIAL TARGETS**  
 Long-term profitability  
 Customer satisfaction

**SOCIAL TARGETS**  
 Safety and health  
 Equality

**ENVIRONMENTAL TARGETS**  
 Environmental impact  
 Fossil carbon dioxide

## 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

Safety and health  
Equality



#### ENVIRONMENTAL TARGETS

Environmental impact  
Fossil carbon dioxide

GLOBAL GOALS

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



Sub-targets 5.5



Sub-targets 8.8



Sub-targets 12.2



Sub-targets 14.1



Sub-targets 15.2

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 ratio and low 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 to environmental permits.

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

MEASURABLE TARGETS

Distribution of net profit 30-50 %

Equity ratio > 50 %

Pulp production / year +3 %

Share of revenue, not pulp 2023 >10 %

Long-term increase the proportion specialties in the customer / product mix.

Annual improvement of LTIFR

Percentage of female employees in 2025 > 30 %

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 through responsible and strong long-term relationships with our employees, suppliers, customers, owners and other stakeholders.

# Safe and secure work environment

Providing a safe and secure work environment for all employees is the top priority at Rottneros and is emphasised at all times. Efforts to completely eliminate workplace accidents through structured and targeted approaches at the individual level continued in 2021.

## SAFETY CULTURE

Many different occupational groups at Rottneros are 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 growing the company.

The aim is for safety to always be a natural part of all work activities, for all employees. In order to proactively eliminate potential risks, it is important for everyone to feel involved and take personal responsibility. Prevention is key to achieving the zero vision for accidents leading to sick leave. 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. Ensuring a safe workplace for everyone, employees and visitors alike, requires everyone to take risks seriously.

## PREVENTIVE SAFETY MEASURES

In every investment project, a safety representative is part of the project team. In daily operations, safety rounds are carried out to detect any risks that might be present so they can be addressed. At production meetings, as at many other internal meetings, safety should be the first item on the agenda. In-house training should always include safety as a component.

All risk observations, checklists for safety rounds, incidents and accidents are reported and entered directly in the industry-wide system, PIA. The platform provides an overview so that it is possible to systematically investigate causes of ill health and accidents and proactively work to 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 in cooperation with the occupational health centres in our communities. We work actively to ensure that our collaboration with the

occupational health centres involves wellness care, not medical care. All employees are offered an annual wellness subsidy. We conduct employee satisfaction surveys regularly. We increased the frequency of these surveys to every two months in 2021 to catch needs for improvement at an early stage.

## RELEVANT POLICIES AND STEERING DOCUMENTS

There are policies for health and safety at work, alcohol and drugs, crisis management, discriminatory treatment and code of conduct, whistleblowing service and guidelines for handling the coronavirus in the workplace.

## DEVELOPMENTS IN 2021

During the year, the prioritized work to further improve safety and the work environment continued. We worked on strengthening the structure to achieve gradual improvements, ranging from responsibility issues to the role of each individual in our common work environment.

- A new and more restrictive drug and alcohol policy was implemented.
- Structured risk assessments were continually carried out to eliminate the risk of incidents and accidents.
- Safe stopping procedures for lockout-tagout were enhanced to further improve safety during maintenance work and work on production equipment.
- As previously, activities were carried out in 2021 to increase awareness of risks associated with different steps.
- Ongoing safety training is provided to new employees, who receive 'SSG safety driving licenses'.

The consequences of the coronavirus pandemic continued to have a severe impact on operations at Rottneros during a large part of the year. The low case rates and minimal impact on production were evidence of the success of our efforts.



### 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:

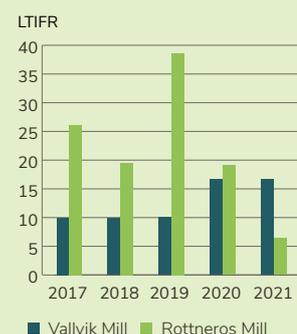
Zero vision approach to workplace accidents leading to sick leave

## 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.

## Outcome 2021:

The number of accidents with sick leave has decreased during the year. LTIFR for the Group amounted to 13,0 compared with 14,6 the previous year. Safety finds are made on an on-going basis to increase awareness of risky work steps and to be able to prevent safety risks.







### Long term target:

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 ratio and low equity ratio.

### Measurable targets:

Distribution of net income	30-50 %
Pulp production, annual growth	+3 %
Share of revenue, not pulp 2023	>10 %
Equity	> 50 %

### Outcome 2021:

The payout of dividend was resumed thanks to strong result and cash flow. Pulp production was affected by unplanned stops and high electricity prices. The share of revenue from other sources than pulp sales increased at the same time as total revenue increased by 10 percent. The equity ratio increased to 64 percent thanks to good profitability and reduced indebtedness.

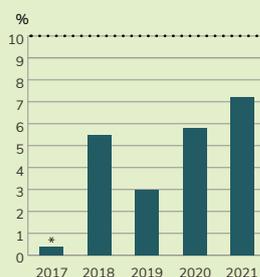
DISTRIBUTION OF NET PROFIT



PULP PRODUCTION YEARLY GROWTH

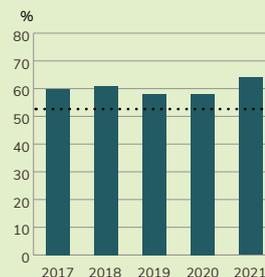


SHARE OF REVENUE, NOT FROM PULP



\* Sales of by-products were not included in the Group's net sales.

EQUITY RATIO



# Growth, sustained profitability and gradual broadening of the revenue base

Sustained profitability and strong finances are the foundations of a long-term sustainable Rottneros. High capacity utilisation is therefore crucial. To reduce dependence on variations in pulp prices and exchange rate fluctuations, the Group also strives to broaden its business base outside pulp production.

## A CRUCIAL SUSTAINABILITY ISSUE

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.

The major investment projects carried out between 2015 and 2018, with further optimisations and improvements in 2019-2021, have resulted in a new and gradually increasing level of availability and production volume at the mills. High capacity utilisation is the key to profitable and financially sustainable development. Other important results of the projects are reduced fossil fuel dependency, quality improvements 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 ratio shall be over 50 percent.

## 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 to increase the proportion of revenue flows that do not come from pulp sales. The target is to increase the proportion to at least 10 percent of turnover by 2023. In 2021 the share amounted to 7 percent of the Group's net turnover.

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

## STRONG FINANCIAL PERFORMANCE

In 2021, the Group continued its efforts to gradually increase availability in production through a long-term and systematic continuous improvement. During the year temporary production was subject to some disruptions, resulting in slightly lower sulphate pulp production, partly due to runnability problems during the cold period at the beginning of the year.

Groundwood pulp production was limited in the autumn by high electricity prices. At the same time, cost control was a high priority, which kept fixed costs down. Thanks mainly to a strong price trend in the pulp market, the Group's earnings improved significantly in 2021 compared with the previous year.

## RELEVANT POLICIES AND STEERING DOCUMENTS

Important steering documents for sustainable profitability are the sustainability policy, Rottneros' business idea, vision and values, and the Code of Conduct.

## BROADENING THE REVENUE BASE

The fibre tray initiative at Rottneros Packaging is a key component of the strategy to broaden operations. During the year, Arctic Paper and Rottneros signed a Letter of Intent regarding a 50/50 joint venture in Poland with the aim of building a moulded fibre tray factory. Startup is planned for the end of 2023. The investment for the joint venture is expected to amount to approximately 12-15 MEUR. Production capacity is estimated at 60-80 million packages annually, which can be compared with Rottneros Packaging's plant in Sunne, with a capacity of 15-20 million units.

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

Rottneros participates in several innovative projects and feasibility studies and collaborates with start-up companies. These all focus on new products made from forest raw materials instead of fossil raw materials. These products include cellulose fibre for building materials, oil absorbents and biofuels. Rottneros' aim is for one or more of these collaborations to lead to new future products and eventually broaden Rottneros' revenue base.

## GROUP MAINTAINS A STRONG BALANCE SHEET

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 ratio and low equity ratio in 2020, despite the weak market trend.

In the autumn of 2021, when market conditions improved significantly, an Extraordinary General Meeting decided to distribute 0,45 SEK per share, corresponding to 48 percent of the total net income for 2019 and 2020. During the summer of 2021, Rottneros entered into a new loan agreement that resulted in lower financing costs and a stronger balance sheet.

The equity ratio at the end of 2021 was 64 percent. The Group's cash and cash equivalents totalled 161 MSEK and unutilised credit was 282 MSEK. Interest-bearing net debt was 16 MSEK.

# High quality and flexibility create maximum customer value

High pulp quality 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. The Group's size and broad product range allow it to be agile and flexible.

## STRONG AND LONG-TERM BUSINESS RELATIONSHIPS

Product development and the high level of service are key components of the Group's strategy to position its offering so that it targets a high proportion of specialised customers. This approach also paves the way for close collaborations with customers where 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.

Many customers are also demanding certified and traceable pulp for production of ecolabelled products. This trend is particularly true for those who manufacture consumer products. The Group's certifications ensure full compliance with the requirements, see page 17.

## METHODS FOR MEETING THE CHALLENGES

The challenges that Rottneros encounters for improved customer value are mainly related to the ability to adapt the product offering so that it meets their needs. This is why it is important for the company to work closely with customers.

To identify customer needs, product and quality issues are discussed at regularly scheduled customer meetings, which serve as the basis for changing and adapting the offering. Customer surveys are also conducted regularly to

ensure the quality of the processes, mainly regarding communication and technical customer service, and to address any areas of concern. The goal is to achieve continuous improvement in work related to the customer. Ensuring supply reliability is another challenge. A stable production flow and consistent quality ensure punctual delivery of first-class products.

## FOCUS ON SUPPLY RELIABILITY IN 2021

A challenging market and strong demand were hallmarks of 2021. Severe constraints arose, especially regarding container shipping, but vehicles and breakbulk cargo were also difficult, posing challenges for Rottneros. The Group's strengths of long and close customer relationships and an agile and flexible organisation were crucial in managing the situation well for customers.

The surveys conducted to follow up on how customers perceived Rottneros' products, service and delivery reliability were consistently positive, with good ratings.

## CUSTOMER SATISFACTION

The survey conducted at the beginning of the year followed up on how customers perceived Rottneros in 2020. It showed that customers were consistently positive, with good reviews for products and service as well as delivery reliability. Customer satisfaction for 2021 is captured in the survey sent out in early 2022.

### 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 targets:

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.

### Outcome 2021:

In 2021, sales to niche applications increased at the same time as total sales decreased. The share of pulp for niche applications was 74 percent, up from 68 percent in 2020. The good demand is proof that customers appreciate our product quality, service and product development. In special applications, Rottneros has developed pulp for fiber cement.

SALES OF PULP TO NICHES





### **CORRUPTION AND COMPETITION LAW RULES**

During the year, work was intensified on screening whether our customers and partners comply with current laws and regulations regarding corruption and competition law.

Implementation is based on three steps:

- 1. Policy update.** Our compliance policies for our partners, such as agents and trading houses, have been updated.
- 2. Risk assessment.** Transillumination and mapping where each customer and partner is ranked based on selected risk parameters. Risk assessment criteria are the respective country of activity's corruption index, the nature of cooperation, any links to officials or authorities of decision-makers in the companies and the size of the transaction.

- 3. In-depth review.** The customers and partners that we deem to have a higher risk are examined in more detail through interviews, reference taking and data collection from public sources. To ensure that we do not do any business with non-approved companies, we use a screening tool linked to the major sanction lists applicable to, among others, the EU and the USA. The lists cover companies or individuals who are sanctioned for past corruption, money laundering or breaches of competition law.

### **RELEVANT POLICIES AND STEERING DOCUMENTS**

Important steering documents for the sustainable profitability focus area are the policies for sustainability, customer credit and anti-corruption as well as Rottneros' business idea, vision and values.

# Diversity, equality and innovative thinking drive long-term success

Diversity, gender equality and innovative thinking are fundamental success factors for a creative working climate and thus for Rottneros' long-term development. Being an attractive employer for everyone is critical in order to secure the supply of skilled staff.

The target is to increase the proportion of female employees to 30 percent before 2025 from the current level of almost 20 percent.

## HUMAN RIGHTS

Rottneros follows international standards for human rights and labor law. No form of discrimination, harassments or discrimination is accepted. Neither gender, skin color, religion, sexual orientation or age affect how the person is treated at Rottneros, everyone is respected equally. Obvious we do not tolerate any form of violence, punishment, abuse, coercion or abuse of any kind and we respect our right to organize, for example through trade unions. All forms of child labor are prohibited within Rottneros and the activities run by Rottneros' business partners. Applicable national and international laws on minimum age are complied with.

Likewise, corruption and bribery are strictly prohibited and an employee may not leave or accept gifts that puts the employee in a situation that may affect his business decision.

## PROPORTION OF FEMALE EMPLOYEES

The proportion of female employees has traditionally been relatively low both in the forest industry and at Rottneros. Women currently account for 17 percent of employees. Clearly increasing diversity is important for achieving an equal-opportunity workplace. Being an attractive employer for everyone improves the prospects of finding the right skills, which a business-critical issue. Organisations with high diversity often have a more dynamic atmosphere, where tried and tested working methods are challenged to a greater extent, which in turn provides a better psychosocial work environment and thus potentially better

conditions for long-term profitability. Increased diversity and gender equality can be crucial for the Group to achieve its overall aim more quickly – to continually drive progress.

## 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. For example, by better understanding the reasons for the higher turnover rate among women and taking a proactive approach to improve working conditions, the Group can become an even more attractive employer for women.

## TARGETS AND METHODS

Rottneros Group has the target of increasing the proportion of female employees to at least 30 percent by 2025. In addition to being an important issue for democracy and the equal value of all human beings, diversity contributes to growth and we become more attractive in the regions where the Group is active.

The company's goal is to be an attractive workplace for everyone, not least by promoting a work/life balance. By always striving for diversity, Rottneros has access to all workers in the market in the places where it operates.

Women have high priority in the selection process for job interviews. A majority of students enrolled in the engineering programmes that are relevant for the pulp and paper industry



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

### Long term targets:

Increase the proportion of female employees.

### Measurable targets:

Proportion of female employees 2025 > 30 %

### Outcome 2021:

The proportion of women increased slightly compared with the previous year. We are constantly working to build a culture and a brand that attracts and retains women in our traditionally male-dominated industry. Examples of activities during the year are an improved employment process for increased diversity and education to prevent discrimination and sexual harassment.

AVERAGE NUMBER OF EMPLOYEES AND THE PROPORTION OF WOMEN





are women. Based on this trend, the prospects are good for increasing diversity in management positions and specialist skills in the long term.

#### **DISCRIMINATION IS UNACCEPTABLE**

Harassment and discrimination are unacceptable in any form at Rottneros. Everyone in the organisation should be respected equally, regardless of gender, colour, religion, sexual orientation or age. Employees who suspect or have experienced discrimination are encouraged to stand up for each other, speak out directly, contact the CEO or their manager, or file a report through the whistleblowing system. Discussions regarding these issues are active, both within the work groups and through management of the cases that are submitted.

#### **RELEVANT POLICIES AND STEERING DOCUMENTS**

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

#### **DEVELOPMENTS IN 2021**

In 2021, managers were trained in bias-free and non-discriminatory recruitment to further improve hiring processes for increased diversity. One change was a new requirement process to always use a person from the group at risk of discrimination as a reference, such as a woman, when appointing managers. This approach broadens the perspective on important characteristics of job candidates.

The Group also organised a training on discrimination and sexual harassment for all managers in order to identify how the organisation can work more preventively.

During the year, the interval for the employee surveys, Puls, was reduced to every two months in order to catch any problems in either groups or among individual employees more quickly. This was important as many people were required to work from home during the pandemic, which risked affecting general psychosocial health negatively.

I Lead Rottneros, a training course on the Group's values, as well as methods for increasing diversity, was held on several occasions during the year for all employees in management positions.

# Focus on environmental issues

Environmental concern is a fundamental part of Rottneros' corporate culture. The company's goal is to be a leader in sustainability, and developments to improve environmental performance are ongoing. The plan is to have fossil-free production by 2030. In 2021, environmental and climate improvement measures accounted for the majority of investments.

## PROACTIVE ACTION IS FUNDAMENTAL

Rottneros operates in a sector that is part of the solution to the climate problem. Carbon dioxide is absorbed by the growing forest and is thereby stored in the products that are manufactured from it. Developing new products to replace fossil-based with bio-based raw material represents great potential for both Rottneros and the industry as a whole.

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

## USE AND TRANSPORT OF RAW MATERIAL

Rottneros contributes to sustainable forestry in several ways. Suppliers and raw materials are carefully selected. In 2021, all suppliers were certified to the FSC:s standard for Controlled Wood.

The company's efficient use of raw materials in production provides advantages from both an environmental and economic perspective. Rottneros Mill uses 95–98 percent of the raw material. At Vallvik Mill, about 45 percent of the raw material becomes pulp, while the remainder becomes by-products or is used as a renewable source of energy generation, renewable, fossil-free source.

To reduce the environmental impact of transports, raw material is purchased as close to the mills as possible. Vallvik Mill buys about 50 percent and Rottneros Mill about 75 percent of pulp wood from sources within a radius of 100 kilometres. Whenever possible, transport is coordinated both within the Group and with other companies in order to save transport distances and the environment.

## ENERGY CONSUMPTION AND ENVIRONMENTAL RISKS

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

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

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

## SKILLS DEVELOPMENT AND COMPLIANCE CONSULTATION MEETINGS

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

*continued >>*



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

### 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.

### Outcome 2021:

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

GHG scope 2 is emissions from purchased electricity. The amount of purchased electricity is slightly higher than the year before, but the largest increase in emissions is due to a higher proportion of fossil carbon dioxide in the purchased part.

**FOSSIL CARBON DIOXIDE EMISSIONS GHG SCOPE 1 & 2 (TON CO<sub>2</sub>EKV)**



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



**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.

**How we contribute:**

Rottneros does not own any forest land, but has its own organisation to purchase pulp wood in Sweden through Nykvist Skogs, and in Latvia through Rottneros Baltic. Rottneros Group is traceability certified under the two systems FSC® and PEFC, and aims to ensure that 100 percent of wood raw materials shall be certified under these systems.



**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.

**Long term target:**

Reduce emissions to air and water by a good margin to environment targets.

**Measurable target:**

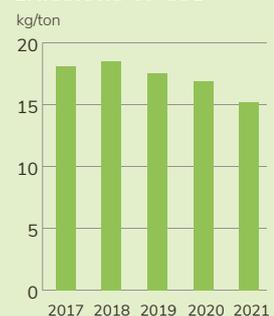
Annual improvement of emissions of COD/t.

**Outcome 2021:**

Emissions for Rottneros Mill decreased, largely due to improved performance in the anaerobic treatment plant.

In the autumn of 2021, Vallvik Mill invested 33 MSEK in a number of measures to minimize emissions. The effect of the investment is expected to materialize in 2022.

**EMISSIONS OF COD**



**THE TARGET IS TO BE COMPLETELY FOSSIL-FREE**

The Group has a long-term goal to become completely fossil-free and plans for fossil-free production by 2030. One challenge that remains involves replacing the fossil fuels used for startup of production, especially at Vallvik Mill. Another remaining challenge is to ensure that purchased electricity comes from fossil-free sources. An energy strategy was also formulated during the year, with the aim of a more efficient energy consumption. Eliminating indirect carbon dioxide emissions that occur outside the gates of the operation, GHG scope 3, is yet another long-term challenge for achieving a completely fossil-free Rottneros. In the autumn of 2021, an analysis of these emissions was initiated as part of the process of eliminating them. This aspect mainly involves transport vehicles operated by subcontractors and suppliers' deliveries to and from the mills.

**RELEVANT POLICIES**

Related to environmental performance, Rottneros has adopted policies for environment: sustainability, electricity trading, environment and energy.

**ENVIRONMENTAL INVESTMENTS: VALLVIK MILL**

In 2021, a number of investments were carried out to reduce emissions to water from Vallvik Mill. The investments totalled 33 MSEK and were linked to the mill's environmental permit for 255 000 tonnes. They were implemented in conjunction with the factory's annual maintenance shutdown.

The majority of the investments aimed to increase the proportion of process water purified in the mill's biological purification plant, as well as to improve the efficiency of the pulp line and thereby reduce emissions from the bleaching process. It mostly involved upgrades of existing equipment, but completely new equipment and systems were also installed.

**ENVIRONMENTAL INVESTMENTS: ROTTNEROS MILL**

During the year, the biofuel boiler at Rottneros Mill was rebuilt for 40 MSEK in order to increase availability and reduce the need for fossil fuels in drying the pulp. This was a major step towards the complete elimination of fossil fuels in the manufacturing processes.

The top separator is lifted out of the digester at Vallvik Mill at the maintenance stop.



The old Luvo is lifted up through the roof of the boiler at Rottneros Mill.





## Focus on renewable energy sources

The Group's long-term target is to be fossil-free by 2030. To address the energy issue from a strategic perspective, in the autumn of 2021 an energy strategy was formulated for the period to 2030.

In addition to ensuring a fossil-free electricity and energy supply, the aim was to identify key focus areas to minimise future energy-related risks and ensure that future energy needs can be met. In a world of volatile electricity prices, this is of great importance for the long-term sustainable development of the Group.

Since 85 percent of the energy used in the mills is already bio-based and comes from renewable sources such as forest raw materials, it has no climate impact as the carbon dioxide emitted is absorbed by a growing forest. The focus going forward is on meeting all energy needs from renewable sources combined with a competitive cost structure. Since a large part of the mills' fuel needs are renewable, the main focus is on the external electricity supply, which is a mix of fossil and renewable sources.

### MAJORITY OF ELECTRICITY PURCHASES FOR ROTTNEROS MILL

The production of the mechanical pulp in Rottneros Mill, which accounts for the majority of the Group's electricity purchases, requires energy in the form of electricity, mainly for grinding the raw material in refiners. About 98 percent of the raw material becomes pulp. In contrast, chemical pulp uses about half of the wood raw material in the sulphate process and the other half becomes pulp. The recycling process of cooking chemicals produces a large amount of heat, which covers not only heating needs, but also much of the electricity needs through electricity generation in steam turbines. Vallvik Mill is therefore largely self-sufficient regarding energy.

The Group's total energy consumption, i.e. the sum of bio-based and fossil fuels, as well as purchased and in-house generated electricity, is approximately 2,2 TWh.

Electricity purchased externally is an important cost item for the Group and represents 6-12 percent of variable costs. The relatively wide range is mainly due to volatile prices. More than 90 percent of Rottneros' electricity consumption is located in price area 3, which is one of the electricity areas with the highest electricity costs in Sweden today.

### LONG-TERM PURCHASING AGREEMENTS CAN PROVIDE BOTH FREEDOM FROM FOSSIL FUELS AND MORE STABLE ELECTRICITY PRICES

Rottneros price-hedges a large part of its electricity consumption in order to protect the company against high market prices. An alternative to the current price hedging approach involves using 'power purchase agreements' (PPAs), which can provide a longer-term and more economically advantageous price scenario. A PPA is a long-term contract to provide electricity at a fixed price. It is often used by wind power producers who need to secure the sale of their electricity at an agreed price over a longer period of time. These contracts usually extend over 10-15 years. In addition to reducing price risk in the long term, a PPA can ensure that electricity comes from renewable sources. Moreover, the buyer contributes to the addition of renewable sources.

### INCREASED IN-HOUSE ELECTRICITY GENERATION AN OPPORTUNITY

To reduce exposure to electricity prices, increased electricity generation at mills is also an option. This can be accomplished by optimising various processes. Another option for the future would involve the Group building its own solar parks.

# Environmental data, emissions to water and air



EMISSIONS TO WATER AND AIR							
	Permit	2021	2021	2020	2019	2018	2017
<b>SULFUR</b>							
Rottneros Mill	tonne/year	-	1,6	6	16	27	22
Vallvik Mill - excl. diffuse emissions	tonne/year	80	17	12	17	16	22
Vallviks Mill - diffuse emissions	kg/ton	0,18	0,15	0,15	0,16	0,34	0,34
<b>NOX</b>							
Rottneros Mill	tonne/year	-	36	31	28	22	31
Vallvik Mill	tonne/year	420	341	346	362	344	368
<b>SUSPENDED SOLIDS</b>							
Rottneros Mill	tonne/year	375	148	222	135	163	208
Vallvik Mill	tonne/day	2,0	1,2	1,3	1,4	1,3	1,3
<b>COD</b>							
Rottneros Mill	tonne/year	4 000	2 936	3 755	3 213	3 903	3 842
Vallvik Mill, ECF	tonne/day	14,0	11,9	12,4	14,0	12,3	12,1
Vallvik Mill, UKP	tonne/day	5,2	4,6	4,8	6,7	5,9	5,3
<b>BOD7</b>							
Rottneros Mill	tonne/year	-	598	1 367	785	818	1 115
Vallvik Mill	tonne/day	-	1,2	1,3	2,4	1,9	1,5
<b>AOX</b>							
Vallvik Mill, ECF	kg/tonne	0,12	0,09	0,11	0,10	0,10	0,08
<b>PHOSPHORUS</b>							
Rottneros Mill	tonne/year	2,2	0,7	1,6	0,7	1,4	0,9
Vallvik Mill, ECF	kg/day	14	12	15	14	12	13
Vallvik Mill, UKP	kg/day	26	27	24	24	24	23
<b>NITROGEN</b>							
Rottneros Mill	tonne/year	42	22	25	26	29	28
Vallvik Mill, ECF	kg/day	110	83	105	113	102	89
Vallvik Mill, UKP	kg/day	76	63	62	70	74	62
<b>CHLORATE</b>							
Vallvik Mill, ECF	tonne/day	0,25	0,24	0,17	0,20	0,22	0,15
<b>PRODUCTION</b>							
	Permit	2021	2021	2020	2019	2018	2017
Rottneros Mill	tonne	200 000	172 900	179 900	178 400	174 000	172 600
Vallvik Mill	tonne	255 000	222 386	232 700	227 600	219 600	228 600

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



ENERGY CONSUMPTION EXCLUDING ELECTRICITY						
		2021	2020	2019	2018	2017
<b>Rottneros Mill</b>						
Biofuels	GWh	79	85	81	77	63
Fossil fuels	GWh	34	32	36	33	52
<b>In total</b>	<b>GWh</b>	<b>113</b>	<b>117</b>	<b>118</b>	<b>109</b>	<b>115</b>
Proportion of biofuel	%	70	73	69	71	55
<b>Vallvik Mill</b>						
Biofuels incl. black liquor	GWh	1 635	1 689	1 673	1 609	1 628
Fossil fuels	GWh	17	21	32	27	13
<b>In total</b>	<b>GWh</b>	<b>1 652</b>	<b>1 710</b>	<b>1 705</b>	<b>1 636</b>	<b>1 641</b>
Proportion of biofuel	%	99	99	98	98	99
<b>The Group</b>						
Biofuels incl. black liquor	GWh	1 714	1 774	1 754	1 686	1 691
Fossil fuels	GWh	51	53	68	59	65
<b>In total</b>	<b>GWh</b>	<b>1 765</b>	<b>1 827</b>	<b>1 823</b>	<b>1 745</b>	<b>1 756</b>
Proportion of biofuel	%	97	97	96	97	96

ELECTRICITY CONSUMPTION						
		2021	2020	2019	2018	2017
<b>Rottneros Mill</b>						
Purchased electricity	GWh	261	267	265	271	268
<b>Vallvik Mill</b>						
Electricity generated at the mill	GWh	134	146	138	124	137
- of which bio-based	GWh	132	144	135	122	136
Purchased electricity	GWh	39	30	36	48	41
<b>In total</b>	<b>GWh</b>	<b>173</b>	<b>176</b>	<b>174</b>	<b>172</b>	<b>178</b>
share produced at the mill	%	78	83	79	72	77
<b>The Group</b>						
Electricity generated at the mill	GWh	134	146	138	124	137
- of which bio-based	GWh	132	144	135	122	136
Purchased electricity	GWh	300	297	301	319	309
<b>In total</b>	<b>GWh</b>	<b>434</b>	<b>443</b>	<b>439</b>	<b>443</b>	<b>446</b>
share produced at the mill	%	31	33	31	28	31



CARBON DIOXIDE EMISSIONS						
		2021	2020	2019	2018	2017
<b>Rottneros Mill</b>						
Fossil fuels	tonne/year	7 089	7 299	9 989	8 941	14 361
Biofuels	tonne/year	30 875	33 630	31 433	31 053	35 145
- share of biofuels	%	81	82	76	78	71
<b>Vallvik Mill</b>						
Fossil fuels	tonne/year	4 679	5 604	8 723	7 353	3 420
Biofuels	tonne/year	560 217	656 581	646 212	619 198	628 886
- share of biofuels	%	99	99	99	99	99
<b>The Group</b>						
Fossil fuels	tonne/year	11 768	12 903	18 712	16 294	17 781
Biofuels	tonne/year	591 092	690 211	677 645	650 251	664 301
- share of biofuels	%	98	98	97	98	97

FOSSIL CARBON DIOXIDE EMISSIONS, GHG scope 1						
		2021	2020	2019	2018	2017
Rottneros Mill	tonne/year	7 089	7 299	9 989	8 941	14 361
Vallvik Mill	tonne/year	4 679	5 604	8 723	7 353	3 420
<b>The Group</b>	<b>tonne/year</b>	<b>11 768</b>	<b>12 903</b>	<b>18 712</b>	<b>16 294</b>	<b>17 781</b>

FOSSIL CARBON DIOXIDE EMISSIONS, GHG scope 2*						
		2021	2020	2019	2018	2017
Rottneros Mill	tonne/year	93 570	90 385	66 451	89 186	93 937
Vallvik Mill	tonne/year	14 117	10 156	9 053	15 797	14 371
<b>The Group</b>	<b>tonne/year</b>	<b>107 687</b>	<b>100 540</b>	<b>75 505</b>	<b>104 983</b>	<b>108 308</b>

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

# 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 2021.

## OPERATIONS

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 primarily food use.

## MARKET

The recovery in the pulp market, which began at the end of 2020, increased dramatically during the beginning of 2021. Market prices increased relatively rapidly and demand in the pulp market was high. The market for printing and writing paper continues its restructuring, and demand for hygiene paper has stabilized compared with the spring of 2020. Other segments such as filters, packaging and electrotechnical applications also showed good demand. Prices in USD have risen sharply during the first part of the year and continued on higher level, even in SEK, prices remained at a high level as the USD strengthened against SEK toward the end of the year. Overall, Rottneros reports a positive result for the year. EBIT (operating profit) amounted to 267 (-42) MSEK. The Group has continued to have a high equity ratio 64 (58) percent.

## SALES AND RESULTS

### Sales

Net turnover for the Group amounted to SEK 2 303 (2 093) MSEK for full-year 2021, a increase of 10 percent. Sales were positively affected by higher sales prices, which were offset by somewhat lower sales volumes.

Some limitations in The Group has had a production due to high electricity prices, mainly towards the end of the year, and the annual volume of pulp amounted to 395 300 (412 600) tonnes and deliveries to 403 200 (416 500) tonnes. Both production and delivery volumes decreased by 4 percent and 3 percent, respectively, compared with 2020. The average gross price of long-fiber sulphate pulp (NBSK) expressed in SEK increased by 32 percent compared with the previous year.

Turnover for 2021 also include sales of wood raw material of 118 (80) MSEK, income from by-products of 47 (41) MSEK and profit from pulp price hedging of -17 (22) MSEK. See also Note 1 in the annual report.

## SUMMARY CONSOLIDATED INCOME STATEMENT

	2021	2020
Net turnover	2 303	2 093
EBIT	267	-42
Profit/loss after financial items	246	-61
<b>Net income</b>	<b>198</b>	<b>-50</b>

## DEVIATION ANALYSIS

MSEK	2021	2020
NBSK PIX, USD	1 198	843
SEK/USD	8,58	9,20
NBSK, SEK	10 280	7 760
<b>EBIT</b>	<b>267</b>	<b>-42</b>

### Operating profit

The Group's EBIT for 2021 increased to SEK 267 (-42) MSEK. The result was positively affected by a higher price level for Rottneros' products in both currency and SEK. Lower volumes and pulp price hedging contributed negatively, while lower costs for input goods contributed positively.

### Expenses

Costs for raw materials and consumables decreased by 6 percent compared with the previous year, mainly due to lower volume and the fact that lower costs for wood raw material and electricity made a positive contribution.

Electricity costs, which are also included in raw materials and consumables, are affected by the electricity price (electricity area SE3) on the Nord Pool electricity exchange, which in 2021 averaged 0,67 (0,22) SEK per kWh. The outcome of electricity price hedges, which are made against the system price, was 113 (-30) MSEK. The total cost of electricity, including electricity price hedging, was 35 MSEK lower in 2021 compared with 2020. Fixed costs increased compared to the previous year, which is mainly related to higher personnel costs. The planned depreciation increased slightly

in line with the year's investments, total depreciation and write-downs were on a par with the previous year, which then also included a write-down of equipment of 4,5 MSEK. No write-down has been made for 2021.

### Other income statement items

Other operating income increased by 15 MSEK, mainly related to exchange rate effects. Financial expenses (net) increased to 22 (19) MSEK due to interest expenses and the cost of repaying the bond loan of 400 MSEK that Rottneros redeemed prematurely in July 2021.

### Profit after financial items

The Group's profit after financial items increased to 246 (-61) MSEK.

### Income taxes

Income tax expense for 2021 was -48 (11) MSEK and the effective tax rate was 20 (20) percent. The effective tax rate was in line with the previous year.

### Net result

The Group's net profit increased to 198 (-50) MSEK and earnings per share to 1,30 (-0,33) MSEK.

## INVESTMENTS

The Group's investments in fixed assets, excluding acquisitions, during 2021 amounted to 125 (116) MSEK. The investments refer to both capacity and efficiency-enhancing equipment as well as environmental investments. The purpose is to maintain the technical standard that has been achieved through the large investments of recent years. The single largest investment made during the year was an environmental investment in Vallvik Mill amounting to 33 MSEK.

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, efficiencies and environmental investments.

## FINANCIAL POSITION

Fixed assets amounted to 1 339 (1 285) MSEK as of 31 December, 2021, which is higher compared with the previous year, mainly due to additional investment in tangible fixed assets and a higher value of long-term unrealized electricity price hedges. Of the Group's fixed assets, 91 (94) percent are tangible fixed assets.

Current assets, excluding cash and cash equivalents, amounted to 882 (642) MSEK as of December 31, 2021 and consist of 37 (55) percent of inventories and 63 (45) percent of accounts receivable and other current receivables. Compared with the end of 2020, current assets increased by 37 percent, mainly due to higher accounts receivable and a higher value of short-term, unrealized electricity price hedges. The Group's cash and cash equivalents amounted to 161 (330) MSEK at the end of the year.

In August 2017, Rottneros AB issued an unsecured bond loan of 400 MSEK with a maturity of 5 years. The loan had a variable interest rate of STIBOR 3m + 4,15 percent and would

have been repaid in September 2022. The bond loan was repaid prematurely in July 2021 during a refinancing and was replaced with a bank loan of 150 MSEK. The refinancing also includes an RFC of 100 MSEK that can be called off if necessary.

The loan terms contain customary so-called covenants in the form of net debt in relation to operating profit before depreciation of a maximum of 3,2 and dividends of a maximum of 50 percent of the previous year's net profit. The loans and utilized overdraft facilities may also not exceed the value of the collateral base, which is 75 percent of the nominal value of accounts receivable and 70 percent of the value of inventories. At the balance sheet date, these covenants were met.

Interest-bearing net cash (net debt) at the end of the year was 16 (-81) MSEK. Total granted but unutilized credits on 31 December, 2021 amounted to a total of 282 (182) MSEK. The equity ratio at the end of the year was 64 (58) percent. Equity per share amounted to 9,99 (8,53) SEK.

## CASH FLOW

Cash flow from operating activities amounted to 288 (85) MSEK. The strong cash flow is due to better profitability where EBIT increased to 267 (-42) MSEK but is negatively affected by an increase in working capital due to higher accounts receivable. Cash flow after investments for the year was 165 (-43) MSEK.

Cash flow from financing operations amounted to -334 (-3) MSEK and referred to amortization of bond loans, raising of bank loans and dividends. During the year, a dividend of 68 (0) MSEK was paid to shareholders. The net cash flow for the year was -169 (-46) MSEK.

## PARENT COMPANY

The parent company's turnover for 2021 amounted to 8 (8) MSEK. The parent company's sales comprise intercompany revenue from administrative and operational management services. The parent company's profit after net financial items amounted to 118 (40) MSEK for 2021. This figure includes group contributions received of 162 (87) 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	2021	2020
Non-current assets	1 339	1 285
Current assets	882	642
Cash and cash equivalents	161	330
<b>Total assets</b>	<b>2 382</b>	<b>2 257</b>
Shareholders' equity	1 527	1 301
Interest-bearing liabilities	145	411
Non-interest-bearing liabilities	710	545
<b>Total shareholders' equity and liabilities</b>	<b>2 382</b>	<b>2 257</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS, SUMMARY

MSEK	2021	2020
Cash flow from operating activities	288	85
Cash-flow from investing activities	-123	-128
Cash flow after investments	165	-43
Cash flow from financing activities, excluding dividends	-266	-3
Dividend paid	-68	-
<b>Net cash flow for the year</b>	<b>-169</b>	<b>-46</b>

## CHANGES IN MANAGEMENT

On 1 October, Pia Ohlson took over as CFO. On 1 November 2021, Peter Sävelin took up a newly established position as COO (Chief Operating Officer) with responsibility for both pulp mills.

## AVERAGE NUMBER OF EMPLOYEES

The average number of employees amounted to 316 (318) in 2021. 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

The Board of Directors of Rottneros and Arctic Paper have decided to invest EUR 15 million in in the first stage a molded fiber tray factory at Arctic Paper's paper mill in Kostrzyn,

## Proposal for profit distribution

In its proposed dividend, 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, 2022 for approval.

A detailed report on the Board's proposal for dividends is available at [www.rottneros.com](http://www.rottneros.com).

For the financial year 2021, the Board will propose to the Annual General Meeting that a dividend be paid as follows.

**At the disposal of the Annual General Meeting are:**

Retained earnings	147 082 247
Net profit for the year	92 554 455
<b>Total SEK</b>	<b>239 636 702</b>

**The Board proposes:**

To be distributed to shareholders <sup>1,2</sup>	91 543 155
To be balanced in a new account	148 093 547
<b>Total SEK</b>	<b>239 636 702</b>

- 1) After adjustment of repurchased shares in own custody.
- 2) Ordinary dividend of 0,40 SEK and an extra dividend of 0,20 SEK, a total of 0,60 SEK per share.

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

Poland. It will be a 50/50 owned joint venture company.

### PROMOTING THE COMPANY'S BUSINESS STRATEGY, LONG-TERM INTERESTS AND SUSTAINABILITY

Rottneros' overall goal is to create sustainable long-term profitability and provide a good return to the Group's shareholders. To deliver this, Rottneros will offer products and services of the highest quality that create clear added value in growing niches. Rottneros works continuously to develop new products and applications for both existing and new customer groups. Employee safety, high productivity in the mills and a first-class level of service to Rottneros' customers have the highest priority.

A long-term successful and sustainable implementation of the company's business strategy presupposes that the company can recruit and retain qualified employees. This requires that the company can offer competitive remuneration. These guidelines enable senior executives to be offered 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 percent of the annual fixed salary for the CEO, and a maximum of 30 percent 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. Fulfillment 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 2021**

Salary and remuneration in 2021 to the company's senior executives have been in accordance with guidelines established by the 2021 annual general meeting. Salaries and remuneration to the CEO and other senior executives during 2021 are stated in Note 7 in the annual report. The variable remuneration in 2021 has depended on the fulfillment of annually set and measurable goals.

# Remuneration Report 2021

This report describes how the guidelines for executive remuneration of Rottneros AB, adopted by the annual general meeting 2020, were implemented in 2021. 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 92-93 in the annual report 2021. Information on the work of the remuneration committee in 2021 is set out in the corporate governance report available on page 70-75 in the annual report 2021.

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 2021.

## Key developments 2021

The CEO summarizes the company's overall performance in his statement on pages 4-5 in the annual report 2021.

## 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 60-61 in the annual report 2021. During 2021, 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/](http://www.rottneros.com/investors/corporate-governance/annual-general-meeting/). No remuneration has been reclaimed.

## Total CEO remuneration in 2021 (kSEK)

Name of director (position)	1 Fixed remuneration		2 Variable remuneration		3 Extraordinary items	4 Pension expense	5 Total remuneration	6 Proportion of fixed and variable remuneration****
	Base salary**	Other benefits***	One-year variable	Multi-year variable*				
Lennart Eberleh (CEO)	3 267	98	814	0	0	1 497	5 676	81/19

\* Variable remuneration is paid for 2021 and amounts to 811 and is pensionable. In Rottneros, there are no programs that are classified under multi-year variable compensation.  
 \*\* Including holiday pay of 63 KSEK.  
 \*\*\* Car benefit.  
 \*\*\*\* Pension costs (column 4) are partly based on basic salary (which is contribution defined) and partly based on provisions for variable remuneration amounting to 244 KSEK, are split between fixed and variable remuneration (column 6).

## 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 2021 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 2021	30 %	50 %	323 KSEK
	Production	40 %		0 KSEK
	Fixed cost	30 %		490 KSEK

## COMPARATIVE INFORMATION ON THE CHANGE OF REMUNERATION AND COMPANY PERFORMANCE

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

Index: 2017 = 100



Legend:  
 ■ CEO remuneration  
 ■ Group operating profit  
 — Average remuneration on a full-time equivalent basis of employees\*

\* Based on the number of full-time equivalents excluding members of Group Management.

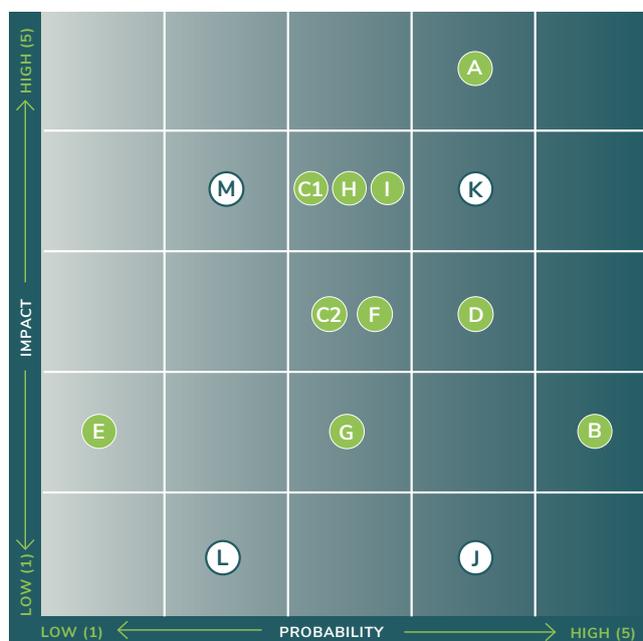
\*\* In 2019, a "stay-on bonus" of 2 MSEK was paid out.

# 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 as well as financial hedging activities



### OPERATIONAL RISK AREAS

- A Variations in pulp price
- B Structural change
- C1 Access to raw material
- C2 Raw material prices
- D Electricity 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 2021

Type of risk	Change	Effect on profit/loss after financial items (MSEK)		Sensitivity
		2021	2020	
Pulp price	50 USD/tonne	97	125	High
USD	0,50 SEK/USD	65	65	High
Electricity prices	0,10 SEK/kWh	30	30	High
Pulp wood prices	20 SEK/m <sup>3</sup>	30	30	High
Interest rate risk	1 %-unit	2	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 63.

## Operational risk areas

RISK AREA	RISK MANAGEMENT
<b>A Variations in pulp price</b>	<b>Sannolikhet: 4 Påverkan: 5</b>
<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 bulk products in the long term. The objective is to reduce dependency on the list price for market pulp and thereby mitigate fluctuations in profitability over a business cycle.</p> <p><b>COMMENTS OUTCOME 2021</b> The world market price for NBSK pulp recovered somewhat at the beginning of 2020 with rising prices, which continued to rise in 2021. The price level stabilized at the end of 2021 at a high level. The pulp price in USD increased by 42 percent on average during the year. In step with a stronger SEK against the USD, the increase in the pulp price in SEK was not as strong and amounted to 32 percent.</p> <p>During the year, the Group hedged 17 400 tonnes at an average price of 9 333 SEK per tonne, 9 percent below the market price expressed in SEK per tonne. The realized result of these pulp price hedges was -17 MSEK. At the end of December 2021, the Group held pulp hedges of 12 000 tonnes with a maturity date until December 2022 at an average price of 9 721 SEK per tonne.</p> <p><b>PULP PRICES NBSK IN USD AND SEK</b></p> <p>Legend:  <span style="color: darkblue;">—</span> Pulp prices NBSK Europe in USD per tonne  <span style="color: green;">—</span> Pulp prices NBSK Europe in SEK per tonne</p> <p>* Average quarterly prices of softwood sulphate mass deliveries in Europe.</p>
<b>B Structural change</b>	<b>Probability: 5 Impact 2</b>
<p>Digitalization, 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. Demand for market pulp is increasing in Asia, especially China, and stagnates or declines in mature markets such as Europe and North America.</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><b>COMMENTS ON OUTCOME FOR 2021</b> Deliveries of printing and writing paper has recover compared with 2020. The increase compared with 2020 was 6 percent, but the comparison with 2019 clearly shows the structural long-term decline in the area. Deliveries of tissue paper are below last year's level, but demand was high during the pandemic year 2020. Overall, demand for market pulp decreased by 3 percent.</p> <p>The pandemic continued to affect the pulp market in 2021. Global logistics were out of balance, which meant limited transport options for, among other things, paper and board from China. This meant a higher demand for pulp in Europe. Rottneros has managed the changes by changing the customer mix both between segments and geographically. See p.12-16 for a more detailed description.</p> <p><b>MARKET PULP – GLOBAL CONSUMPTION BY APPLICATION</b></p> <p>Legend:  <span style="color: green;">■</span> Board and packaging  <span style="color: darkblue;">■</span> Printing and writing  <span style="color: grey;">■</span> Specialty paper and other  <span style="color: darkgrey;">■</span> Tissue paper  <span style="color: blue;">■</span> Fluff</p>

RISK AREA	RISK MANAGEMENT															
<b>C1 Access to raw material</b>	<b>Probability: 3 Impact 4</b>															
<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. To increase flexibility, the Group has two own companies, in Sweden and in Latvia, for deliveries of wood and wood chips. The goal is to carry an inventory of raw materials that is sufficient to cover two to three weeks of production.</p> <p><b>COMMENTS ON OUTCOME FOR 2021</b> The supply of wood raw material has been good during the year. On the one hand, the bark beetle problem increased the supply of timber in certain regions, and on the other hand, the production rate in the forest industry was lower, partly due to the restructuring in the newsprint industry. These factors favored the balance of the market and meant that prices fell. A good economy of the sawmills also contributed to a strong supply of wood chips and also pulpwood.</p>															
<b>C2 Raw material prices</b>	<b>Probability: 3 Impact 4</b>															
<p>Price and price changes for pulpwood affect pulp producers. Higher prices for pulpwood 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 m<sup>3</sup> will affect the Group's annual profit by approximately 30 MSEK.</p> <p><b>COMMENTS ON OUTCOME FOR 2021</b> The price of wood raw material was stable in 2021 and at a low level. Supply has been good at the same time as demand from industry has decreased. The price trend for other inputs has also been favorable but has increased towards the end of the year.</p> <p>The Group's raw material cost for pulp production for 2021 amounted to 750 (805) MSEK which corresponds to 33 (38) percent of net sales.</p>															
<b>D Electricity prices</b>	<b>Sannolikhet: 4 Påverkan: 3</b>															
<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 border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Year</th> <th style="text-align: center;">Percentage hedged,%</th> <th style="text-align: center;">SEK/kWh</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td style="text-align: center;">91</td> <td style="text-align: center;">0,327</td> </tr> <tr> <td>2023</td> <td style="text-align: center;">100</td> <td style="text-align: center;">0,311</td> </tr> <tr> <td>2024</td> <td style="text-align: center;">86</td> <td style="text-align: center;">0,324</td> </tr> <tr> <td>2025</td> <td style="text-align: center;">57</td> <td style="text-align: center;">0,319</td> </tr> </tbody> </table> <p>* Of the hedged volume 44 percent is against price area SE3, the remainder is against the system price.</p>	Year	Percentage hedged,%	SEK/kWh	2022	91	0,327	2023	100	0,311	2024	86	0,324	2025	57	0,319	<p>All external electricity to 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 affects the Group's earnings by approximately 30 MSEK on an annual basis, if there are no electricity price hedges. In order to protect Rottneros' future electricity costs against sharp fluctuations and achieve a predictable electricity price, future electricity prices must be hedged in advance according to an established strategy. The Board approves hedging levels based on proposals from company management. The Board also approves new financial counterparties.</p> <p><b>NORD POOL ELECTRICITY PRICE (AREA SE3) IN SEK PER KWH</b></p> <p><b>COMMENTS ON OUTCOME FOR 2021</b> The average price level for electricity in the Nord Pool electricity area SE3) in 2021 was 0,67 (0,22) SEK per kWh. At the same time, the system price amounted to 0,43 (0,11) SEK per kWh. Despite high electricity prices, the total electricity cost has been low in 2021. The Group's electricity price hedges are against the system price, which has resulted in a realized profit of 113 (-30) MSEK.</p> <p>Electricity consumption for the Group increased by 7 percent during the year. The Group's electricity cost, adjusted with hedging results, amounted to 66 (100) MSEK for 2021. At the end of 2021, 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														
2022	91	0,327														
2023	100	0,311														
2024	86	0,324														
2025	57	0,319														

RISK AREA	RISK MANAGEMENT
<p><b>E Customer structure and customer credit</b></p> <p>A high dependency on a small number of major customers, industries or geographical markets may have a significant impact on revenue if a major customer or industry were to have problems.</p> <p>The risk that the Group's customers will 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 style="text-align: right;"><b>Probability: 1 Impact 2</b></p> <p>Rottneros considers that the Group has a good diversification of commercial risk with around 200 customers, of which the ten largest together represent approximately 40 per cent of turnover. Printing paper customers account for approximately 17 percent 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, Rottneros Group is not dependent on the market in any particular country. Most of the Group's turnover is generated in Europe, where Sweden, Italy, Germany and Norway represent the largest markets.</p> <p>Credit risk is managed at 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><b>COMMENTS ON OUTCOME FOR 2021</b> The Group has around 200 customers and the maximum credit risk on outstanding accounts receivables at the end of 2021 amounted to 9 (22) MSEK. Historically, the Group has had small credit losses. In 2021, the Group's largest customer accounted for 6 (7) percent of sales.</p>
<p><b>F Facilities</b></p> <p>Rottneros has two large production facilities that conduct continuous production. Work injuries, machinery breakdowns, fires and other accidents may result in extended production shutdowns, damage to the facility and delivery problems.</p>	<p style="text-align: right;"><b>Probability: 3 Impact 3</b></p> <p>The management team conducts an annual review of the mills' maintenance needs for the coming years. This work includes identifying ongoing annual investments, investments in expansion and investments that aim to 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 1 213 (1 203) MSEK. The replacement cost is much higher.</p> <p><b>COMMENTS ON OUTCOME FOR 2021</b> In 2021, maintenance stops were carried out during the third quarter in Rottneros Mill and in September/October in Vallviks Bruk. Review and procurement of insurance takes place annually.</p>
<p><b>G Political decisions</b></p> <p>Political decisions to change environmental legislation may have a negative impact on production at the Group's pulp mills, restrict access to raw material, or change various support systems such as trade with emission allowances and electricity certificates</p>	<p style="text-align: right;"><b>Probability: 3 Impact 2</b></p> <p>Rottneros considers that there is always a risk of political decisions that raise the price or limit Rottneros' opportunities to produce pulp. However, the company considers this risk to be limited. Rottneros works to constantly improve the production process and the goal is that all investments in the mills will also benefit the environment.</p> <p>The security policy situation in Eastern Europe has deteriorated. The assessment is that the impact on Rottneros will be limited in terms of sales to customers. On the other hand, Rottneros may be affected by changing conditions for access to inputs and changed prices.</p> <p>Rottneros runs its production in Sweden and sells most of its products to Sweden and the rest of Europe. These markets are stable democracies and the political risk of rapid changes to legislation, rules and regulations is relatively low.</p>

RISK AREA	RISK MANAGEMENT
<p><b>H Sustainability and accountability</b></p> <p>Inadequate responsibility relating to sustainability issues could harm trust in the company and the brand, thereby having a negative impact on the company's profitability.</p> <p>To achieve sustainable profitability and value creation Rottneros must simultaneously create value for those stakeholders who are affected by the Group's operations. See also the sustainability report on pages 36-57.</p>	<p style="text-align: right;"><b>Probability: 3 Impact 4</b></p> <p>Rottneros shall run its business responsibly with respect to the external and internal environment, society, our customers and suppliers, our shareholders and our employees. Trust in Rottneros as a responsible participant, supplier and employer strengthens our position in society and in the market, and promotes employee commitment. Rottneros communicates regularly with its stakeholders to maintain an open and positive relationship.</p> <p>Rottneros endeavours to make its products better, both from a quality and efficiency perspective, by understanding the customers' processes and product strategy. Environmental, social and economic factors are crucial to this success.</p> <p>The Group has a sustainability policy describing Rottneros' responsibility regarding shareholders, customers, suppliers, environment, society, personnel and the work environment, and human rights, as well as anti-corruption and competition law.</p> <p>The Group has a Code of Conduct describing how Rottneros and the Company's employees act in relation to the surrounding world and towards each other. The Code of Conduct defines Rottneros' social responsibility, ethical commitment and position in respect of gender equality and diversity issues, as well as the approach that Rottneros' employees should adopt on issues of principle importance.</p> <p>Employee well-being is an important part of Rottneros' success. The Group takes responsibility towards employees by promoting good health, environment and safety in the workplaces Rottneros has a zero target regarding occupational injuries leading to sick leave.</p> <p><b>COMMENTS ON OUTCOME FOR 2021</b></p> <p>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 fiber trays.</p> <p>In 2021, LTIFR was 13,0 compared with 14,6 in 2020.</p>
<p><b>I Environment</b></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 52-57.</p>	<p style="text-align: right;"><b>Probability: 3 Impact 4</b></p> <p>Good management of environmental issues represents a fundamental and important matter 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 permits 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><b>COMMENTS ON OUTCOME FOR 2021</b></p> <p>In 2021, work to further reduce emissions to air and water has continued. Emissions for Rottneros Mill decreased, largely due to improved performance in the anaerobic treatment plant. The investment of 40 MSEK in the bio-boiler during the year was important to increase availability and minimize the need for fossil fuels when drying the pulp. The bio-boiler is a step towards achieving fossil-free production by 2030.</p> <p>In the autumn of 2021, Vallviks Bruk invested 33 MSEK in a number of measures to minimize emissions. The effect of the investment is expected to materialize in 2022.</p> <p>Carbon dioxide emissions from production according to GHG scope 1 decreased compared with the previous year due to lower consumption of fossil fuels. GHG scope 2 is emissions from purchased electricity. The amount of purchased electricity is slightly higher than the year before, but the largest increase in emissions comes from the fact that the proportion of fossil carbon dioxide has increased in the purchased part.</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 6 of the annual report. The factors that have the greatest impact on the Group's result are associated with the price of pulp in USD, exchange rates and pulp wood and electricity prices.

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

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

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

RISK AREA	RISK MANAGEMENT
<p><b>J</b> Currency – Balance exposure</p> <p>Currency risk means that currency rate changes may have a negative impact on the Group's future results, cash flows and values of assets and liabilities.</p>	<p><b>Probability: 4 Impact 1</b></p> <p>Rottneros' pulp mills and assets are 99 per cent in Sweden and other than the currency risk related to operating transactions, balance exposure is very low.</p>
<p><b>K</b> Currency – Transaction exposure</p> <p>Transaction exposure is the risk of exchange rate fluctuations in export revenue and import costs having a negative impact on operating profit.</p>	<p><b>Probability: 4 Impact 4</b></p> <p>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><b>COMMENTS ON OUTCOME FOR 2021</b> The underlying exposure to the USD is high. The direct inflow of USD corresponded to approximately 50 percent of sales. The inflow in EUR is approximately 33 percent, at the same time the Group has costs in EUR, which reduces the exposure. As of December 31, 2021, the Group has no exchange rate hedges.</p>
<p><b>L</b> Interest</p> <p>Interest rate risk comprises the exposure of the Group's financial assets and financial liabilities with a variable interest rate.</p>	<p><b>Probability: 2 Impact 1</b></p> <p>In August 2017, Rottneros issued a bond of 400 MSEK with a maturity of 5 years. The Group's borrowing is presented in note 20 of the Annual Report. During July 2021, the Rottneros Group repaid the bond loan prematurely refinanced with a new bank loan of 150 MSEK. The loan has a variable interest rate of STIBOR (with floor) +1,75 percent minimum and +1,95 percent maximum margin. The loan will be repaid in July 2023 but can be extended for one year.</p> <p>Interest rate risk is mainly linked to the variable interest rate on the bond loan and to the return on cash and cash equivalents.</p> <p><b>COMMENTS ON OUTCOME FOR 2021</b> The bank loan of 133 MSEK has a variable interest rate. A change of 1 percentage point in the interest rate level affects the Group's earnings by 1 MSEK on an annual basis. Cash and cash equivalents as of December 31, 2021 amounted to 161 (330) MSEK. Interest income on cash and cash equivalents is not material.</p>

RISK AREA	RISK MANAGEMENT
<p><b>(M) Liquidity and refinancing</b></p>	<p><b>Probability: 2 Impact 4</b></p>
<p>There is a risk that Rottneros 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 equity ratio. This key ratio is defined as net debt/cash as a percentage of shareholders' equity.</p> <p><b>COMMENTS ON OUTCOME FOR 2021</b></p> <p>In August 2017, Rottneros AB issued an unsecured bond loan of 400 MSEK with a term of 5 years. The bond loan was repaid prematurely during July 2021 and was replaced with a new bank loan of 150 MSEK. The bank loan has a variable interest rate of STIBOR (with floor) +1,75 percent as the lowest and +1,95 percent as the highest. The loan will be repaid in July 2023 but can be extended for one year. The loan terms contain customary so-called covenants in the form of net debt in relation to operating profit before depreciation at a maximum of 3,25 and dividends at a maximum of 50 percent of the previous year's net profit. At the balance sheet date, these covenants were met.</p> <p>Granted and unutilized credits amounted to 282 MSEK at the end of the year. At the end of 2021, the Group's liquidity reserve amounted to 19 (24) percent of sales, where the target is "at least 10 percent".</p> <p>The Group's net debt at the end of 2021 amounted to -16 (81) MSEK and the equity ratio to -1 (6) percent.</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 2021.

## STRUCTURE FOR CORPORATE GOVERNANCE

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

## CONTROL INSTRUMENTS

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

The Board of Directors is ultimately responsible for the organisation and administration of the company’s affairs. The authorities and bodies appointed by the authorities exercise supervision through 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 Boards diversity policy. The CEO decides on the Customer Credit policy, Crisis management instruction, IT Security policy and Work Environment policy and the Supplier Code of Conduct 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’ shares have been listed on Nasdaq Stockholm since 1987. According to the share register kept by Euroclear Sweden, Rottneros had 11 946 shareholders on 31 December 2021. The share capital amounted to 153 393 890 SEK, divided among 153 393 890 shares, each carrying equal voting rights and equal rights to the company’s profit and capital. The Articles of Association contain no restrictions on the number of votes each shareholder can cast at a general meeting.

Arctic Paper S.A. had a participating interest amounting to 51,0 percent of the total number of shares and votes on 31 December 2021. 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 percent 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



### 2021 ANNUAL GENERAL MEETING

Rottneros' Annual General Meeting 2021 took place on 28 April, 2021. In view of the extraordinary situation that prevails of covid-19, the Annual General Meeting was carried through by advance voting (postal voting) on the basis of Sections 20 and 22 of the Act (2020: 198) on temporary exemptions to facilitate the conduct of general meetings in companies and other associations. The meeting was attended by a proxy or by advance vote 25 of the Company's shares owners representing 53,5 percent of the company's votes and capital (excluding Rottneros' repurchased shares). Present at the meeting were Chairman of the Board Per Lundeen and CEO Lennart Eberleh.

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 2020 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 2022 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.

### 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 8 October 2021 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 percent of the voting rights for all shares in Rottneros.

The Nomination Committee shall submit proposals for resolutions to the 2022 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 for the composition of the board. The policy is available on Rottneros' website.

## AUDITORS

Rottneros' auditors are elected at the AGM. At the 2021 AGM, KPMG AB was re-elected as the company's auditor up until the end of the 2022s AGM, with authorised public accountant Sven Cristea as auditor in charge. During 2021 auditor in charge was changed to Mattias Eriksson. 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 2021 AGM. The auditor attends the AGM to present the auditor's report. Fees for the auditor for 2021 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 73 shows the composition of the Board in 2021 as well as remuneration paid to Board members for 2021 and 2020, 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 2021.

### 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 regular monitoring during the year. The Board approves the budget and annual accounts.

### Rules of Procedure for the Board

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

A statutory Board meeting is held immediately after the AGM or immediately after extraordinary general meetings where a new Board has been elected. Rottneros held a statutory Board meeting on 28 April 2021 where among other things members of the Board committees were appointed and the above-mentioned Rules of Procedure were adopted.

In addition to the statutory meeting, the Board convenes eight scheduled meetings each year and additional meetings when the Chairman sees fit or within 14 days following a request for a meeting from a member of the Board or the CEO. In 2021, 13 board meetings were held.

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.

### 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 compre-

## Composition of the Board and attendance 2021

Amounts in TSEK		Amounts in TSEK	Total fees 2021/2022 <sup>3</sup>	Total fees 2020/21 <sup>3</sup>	Attendance 2021 <sup>1</sup>	
					Board meetings, %	Committee meetings, %
Per Lundeen <sup>2</sup>	Chairman	X	580	580	100	100
Marie S. Arwidson			295	295	100	100
Ulf Carlson			305	305	100	100
Roger Mattsson <sup>2</sup>		X	295	295	100	100
Conny Mossberg <sup>2</sup>		X	285	285	100	100
Mika Palmu	Employee representative		28	28	46	–
Jerry Solhberg	Employee representative		28	28	100	–
Jörgen Wasberg	Employee representative/deputy		28	28	100	–
Gun-Marie Nilsson <sup>4</sup>	Employee representative/deputy		–	28	80	–
Jimmy Thunander <sup>5</sup>	Employee representative/deputy		28	–	100	–

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

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

3) Including remuneration for committee work.

4) Deputy to 22 April 2021.

5) Deputy from 22 April 2021.

hensive 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 ensures that financial reporting is accurate and maintains a high quality, and also that it is given final approval by the Board and that it is 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 present at most of the meetings. Senior executives also participate at meetings when appropriate. Since the 2021 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 2021 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 2021 AGM the Committee has consisted of Ulf Carlson, Per Lundeen and Conny Mossberg. Per Lundeen is Chairman of the Committee.

The committee has had two meetings in 2021 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 Group's 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 2021, this consisted of the CEO and eight other people. Information about the President and Group Management can

be found on page 105 in the annual report for 2021. The Group Management has regular operational reviews under the President's management.

### FURTHER INFORMATION AVAILABLE AT 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 2021 (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 com-

## Summary of the Boards work schedule in 2021



pany's management team. A specific analysis is conducted of production, order status, cost follow-up, investments and cash flow. The CFO also has regular contacts with the subsidiaries. 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 Managers"). 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.





# Financial reporting

# Consolidated statements of income

## CONSOLIDATED INCOME STATEMENT 1 JANUARY - 31 DECEMBER

Amounts in MSEK	Note	2021	2020
NET TURNOVER	1, 2	2 303	2 093
Change in inventories, finished goods		-29	-31
Other operating income	3	29	14
<b>Operating income, total</b>		<b>2 303</b>	<b>2 076</b>
Raw materials and consumables	4	-1 125	-1 200
Other external costs	5	-509	-513
Employee benefit expenses	7	-284	-267
Other operating expenses		0	-19
<b>EBITDA (operating profit/loss before depreciation/amortisation and impairment)</b>		<b>385</b>	<b>77</b>
Depreciation/amortisation and impairment losses	10, 11	-118	-119
<b>EBIT (operating profit/loss)</b>		<b>267</b>	<b>-42</b>
Financial income	8	1	0
Financial expenses	8	-22	-19
<b>Total financial items</b>		<b>-21</b>	<b>-19</b>
<b>PROFIT/LOSS AFTER FINANCIAL ITEMS</b>		<b>246</b>	<b>-61</b>
Tax on profit for the year	9	-48	11
<b>NET INCOME</b>		<b>198</b>	<b>-50</b>
Average number of shares (thousand shares) <sup>1</sup>		152 572	152 572
<b>EARNINGS PER SHARE (SEK)<sup>1</sup></b>		<b>1,30</b>	<b>-0,33</b>

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

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

Amounts in MSEK	Note	2021	2020
<b>NET INCOME</b>		<b>198</b>	<b>-50</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that have been or may be transferred to profit or loss for the period</b>			
Changes in value of cash flow hedges		121	-36
Income tax effect on changes in value		-25	8
Translation differences		0	-1
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>		<b>96</b>	<b>-29</b>
<b>COMPREHENSIVE INCOME<sup>2</sup></b>		<b>294</b>	<b>-79</b>

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

# Consolidated balance sheet

## CONSOLIDATED ASSETS, 31 DECEMBER

Amounts in MSEK	Note	2021	2020
<b>Non-current assets</b>			
Intangible assets	10	25	30
Property, plant and equipment	11	1 213	1 203
Derivatives	6	42	2
Other financial assets	12	59	50
<b>Total non-current assets</b>		<b>1 339</b>	<b>1 285</b>
<b>Current assets</b>			
Inventories	14	327	355
Accounts receivable	15	322	219
Derivatives	6	139	19
Other current receivables	16	94	49
Cash and cash equivalents	17	161	330
<b>Total current assets</b>		<b>1 043</b>	<b>972</b>
<b>TOTAL ASSETS</b>		<b>2 257</b>	<b>2 373</b>

## CONSOLIDATED SHAREHOLDERS' EQUITY AND LIABILITIES, 31 DECEMBER

Amounts in MSEK	Note	2021	2020
<b>Shareholders' equity</b>			
Share capital	18	153	153
Other injected capital		730	730
Treasury shares		-69	-69
Other reserves		105	9
Retained earnings, incl. net income for the year		608	478
<b>Total shareholders' equity</b>		<b>1 527</b>	<b>1 301</b>
<b>Long-term liabilities</b>			
Interest-bearing liabilities	19	145	411
Deferred tax liability	9	153	105
Other non-interest-bearing liabilities		54	45
<b>Total non-current liabilities</b>		<b>352</b>	<b>561</b>
<b>Current liabilities</b>			
Accounts payable	20	220	204
Derivatives	6	8	0
Other non-interest-bearing liabilities	21	275	191
<b>Total current liabilities</b>		<b>503</b>	<b>395</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>2 382</b>	<b>2 257</b>

# Consolidated statement of changes in shareholders' equity

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2021

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

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS 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		
<b>Opening balance, 1 January 2020</b>	153	730	-69	46	-8	528	1 380
<b>Comprehensive income</b>							
Net income	-	-	-	-	-	-50	-50
<b>Other comprehensive income</b>							
Cash flow hedging, profit/loss after tax	-	-	-	-28	-	-	-28
Exchange rate differences	-	-	-	-	-1	-	-1
<b>Total other comprehensive income</b>	-	-	-	-28	-1	-	-29
<b>Total comprehensive income</b>	-	-	-	-28	-1	-50	-79
<b>Transactions with shareholders</b>							
Dividends to shareholders	-	-	-	-	-	-	-
<b>Closing balance, 31 December 2020</b>	153	730	-69	18	-9	478	1 301

# Consolidated statements of cash flows

## CONSOLIDATED STATEMENTS OF CASH FLOWS 1 JANUARY - 31 DECEMBER 2021

Amounts in MSEK	Note	2021	2020
<b>EBIT</b>		<b>267</b>	<b>-42</b>
<b>Adjustment for items not included in cash flow</b>			
Depreciation/amortisation and impairment losses	10, 11	118	119
Other items not affecting cash flow		0	0
<b>EBIT adjusted for items not affecting cash flow</b>		<b>385</b>	<b>77</b>
Financial items received		1	0
Financial items paid		-22	-19
Received / paid tax		-42	2
<b>Cash flow from operating activities before changes in working capital</b>		<b>322</b>	<b>60</b>
<b>Change in working capital</b>			
Change in inventories		28	21
Change in current receivables		-187	60
Change in current liabilities (non-interest-bearing)		125	-56
<b>Total changes in working capital</b>		<b>-34</b>	<b>25</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>288</b>	<b>85</b>
Investments in intangible assets	10	-	-1
Investments in property, plant and equipment	11	-125	-115
Change in current loan receivables	11	2	3
Acquired subsidiary	10	-	-15
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>-123</b>	<b>-128</b>
Borrowings, non-current bank loans	19	150	-
Amortisation, non-current bank loans	19	-416	-3
Change in credit facilities	19	-	-
Dividend paid		-68	-
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>-334</b>	<b>-3</b>
<b>NET CASH FLOW</b>		<b>-169</b>	<b>-46</b>
Cash and cash equivalents at the beginning of the year		330	376
<b>Cash and cash equivalents at the end of the year</b>	<b>17</b>	<b>162</b>	<b>330</b>
Granted and unutilised credit facilities	19	282	182

# Statements of income – Parent Company

## PARENT COMPANY INCOME STATEMENT 1 JANUARY - 31 DECEMBER

Amounts in MSEK	Note	2021	2020
<b>NET TURNOVER</b>	1, 2	<b>8</b>	<b>8</b>
Other operating income	3	2	9
<b>Operating income, total</b>		<b>10</b>	<b>17</b>
External costs	5	-19	-17
Employee benefit expenses	7	-31	-24
<b>EBITDA (operating profit/loss before depreciation/amortisation and impairment)</b>		<b>-40</b>	<b>-24</b>
Depreciation/amortisation and impairment losses	10, 11	-4	-4
<b>EBIT (operating profit/loss)</b>		<b>-44</b>	<b>-28</b>
Profit from participations in Group companies	8	162	87
Financial income	8	21	0
Financial expenses	8	-21	-19
<b>Total financial items</b>		<b>162</b>	<b>68</b>
<b>PROFIT/LOSS AFTER FINANCIAL ITEMS</b>		<b>118</b>	<b>40</b>
Tax on profit for the year	9	-25	-11
<b>NET INCOME</b>		<b>93</b>	<b>29</b>

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

Amounts in MSEK	Note	2021	2020
<b>NET INCOME</b>		<b>93</b>	<b>29</b>
Other comprehensive income		–	–
<b>COMPREHENSIVE INCOME</b>		<b>93</b>	<b>29</b>

# Balance sheet – Parent Company

## PARENT COMPANY ASSETS, 31 DECEMBER

Amounts in MSEK	Note	2021	2020
<b>Non-current assets</b>			
Intangible assets	10	4	7
Deferred tax assets	9	0	0
Other financial assets	12, 13	844	652
<b>Total non-current assets</b>		<b>848</b>	<b>659</b>
<b>Current assets</b>			
Current receivables	16	278	470
Cash and cash equivalents	17	143	317
<b>Total current assets</b>		<b>421</b>	<b>787</b>
<b>TOTAL ASSETS</b>		<b>1 269</b>	<b>1 446</b>

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

Amounts in MSEK	Note	2021	2020
<b>Shareholders' equity</b>			
Share capital		153	153
Statutory reserve		440	440
Share premium reserve		268	268
Retained earnings, incl. net income for the year		-28	-53
<b>Total shareholders' equity</b>		<b>833</b>	<b>808</b>
<b>Long-term liabilities</b>			
Interest-bearing liabilities	19	133	398
Non-interest-bearing liabilities		54	45
<b>Total non-current liabilities</b>		<b>187</b>	<b>443</b>
<b>Current liabilities</b>			
Accounts payable	20	0	2
Other non-interest-bearing liabilities	21	249	193
<b>Total current liabilities</b>		<b>249</b>	<b>195</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>1 269</b>	<b>1 446</b>

# Statement of changes in shareholders' equity – Parent Company

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY – PARENT COMPANY 2021

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

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY – PARENT COMPANY, 2020

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 2020	153	440	268	-82	779
Comprehensive income	-	-	-	29	29
Dividends to shareholders	-	-	-	-	0
Closing balance, 31 December 2020	153	440	268	-53	808

# Statements of cash flows – Parent Company

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

Amounts in MSEK	Note	2021	2020
<b>EBIT</b>		<b>-44</b>	<b>-28</b>
<b>Adjustment for items not included in cash flow</b>			
Depreciation/amortisation	10, 11	4	4
Adjustment for other items that are not included in the cash flow		2	
<b>EBIT adjusted for items not affecting cash flow</b>		<b>-38</b>	<b>-24</b>
Financial items received		21	0
Financial items paid		-21	-19
Received / paid tax		-42	-2
<b>Cash flow from operating activities before changes in working capital</b>		<b>-80</b>	<b>-45</b>
<b>Change in working capital</b>			
Change in current receivables		193	-11
Change in current liabilities (non-interest-bearing)		47	60
<b>Total changes in working capital</b>		<b>240</b>	<b>49</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>160</b>	<b>4</b>
Investments in intangible assets	10	-	-
Acquired subsidiary		-	-24
Capital injections in subsidiaries		-	-25
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>0</b>	<b>-49</b>
Bond issue	19	-416	-
Change in credit facilities	19	150	-
Dividend paid		-68	-
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>-334</b>	<b>0</b>
<b>NET CASH FLOW</b>		<b>-174</b>	<b>-45</b>
Cash and cash equivalents at the beginning of the year		317	362
<b>Cash and cash equivalents at the end of the year</b>	17	<b>143</b>	<b>317</b>
Granted and unutilised credit facilities	19	190	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 2021 and applied by the Group

No new standards, changes or interpretations have been added in 2021.

#### 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

## 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

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.

An agreement is, or contains, a leasing agreement in accordance with IFRS 16 if the agreement leaves the right to decide for a certain period on the use of an identified asset in exchange for compensation. The standard requires that an asset (right of use) and a financial liability must be reported for all agreements that meet the definition of a leasing agreement. 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) percent the end of 2020. 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 MSEK unless otherwise stated

## NOTE 1. NET TURNOVER

Net turnover consists of the following:

	Group		Parent Company	
	2021	2020	2021	2020
Sales of pulp	2 155	1 950	-	-
Results from pulp price hedging	-17	22	-	-
Sales of by-products and other	47	41	-	-
Sales of wood	118	80	-	-
Management fees received	-	-	8	8
<b>Total</b>	<b>2 303</b>	<b>2 093</b>	<b>8</b>	<b>8</b>

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

Net turnover broken down by geographic markets:

	2021	%	2020	%
Sweden	467	20	468	22
Other Nordic countries	234	10	211	10
Germany	351	15	289	14
Italy	317	14	318	15
Rest of Europe	219	10	227	11
North America	219	10	210	10
Asia	495	21	370	18
Rest of world	1	0	0	0
<b>Total</b>	<b>2 303</b>	<b>100</b>	<b>2 093</b>	<b>100</b>

In 2021 the Group's largest customer accounted for 7 (7) percent of turnover. No other customer accounts for more than 10 percent of turnover. Of the parent company's net turnover 100 (100) percent relates to wholly owned subsidiaries.

Distribution of pulp turnover per area of use:

	2021	%	2020	%
Board and Packaging	551	26	472	23
Printing and writing paper	368	17	387	20
Filters	463	21	381	20
Electrotechnical applications	315	15	265	14
Tissue paper	122	6	217	11
Special paper	306	14	227	12
Other	30	1	1	0
<b>Total</b>	<b>2 155</b>	<b>100</b>	<b>1 950</b>	<b>100</b>

## 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 2021 and 2020 respectively. Goods are sold on the same terms as for non-related parties.

Related party	Sales		Accounts receivable	Accounts receivable
	2021	2020	31 Dec 2021	31 Dec 2020
Arctic Paper S.A.-Group	71	73	5	9

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) percent 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	
	2021	2020	2021	2020
Sale of by-products	-	-	-	-
Currency return	18	1	1	1
Loss/gain from currency hedging contracts	-	-	-17	22
Loss/gain from pulp price hedging contracts	-	-	0	-29
Sale of green electricity certificates	0	0	-	-
Sale of emission allowances	4	3	-	-
EU-grant PULPACKTION	0	0	-	-
Other income Group companies	-	-	15	-
Others	7	10	3	15
<b>Total</b>	<b>29</b>	<b>14</b>	<b>2</b>	<b>9</b>

From 2021 the result of electricity price hedging is included in the result of the subsidiaries

## NOTE 4. RAW MATERIALS AND CONSUMABLES

	Group		Parent Company	
	2021	2020	2021	2020
Pulp wood	-751	-805	-	-
Chemicals	-159	-177	-	-
Electricity	-179	-71	-	-
Loss/gain from electricity price hedging contracts	113	-30	-	-
Fuel	-64	-53	-	-
Other costs for raw materials and consumables	-85	-64	-	-
<b>Total</b>	<b>-1 125</b>	<b>-1 200</b>	<b>-</b>	<b>-</b>

**NOTE 5. AUDIT EXPENSES**

	Group		Parent Company	
	2021	2020	2021	2020
Audit engagement, KPMG	1,1	0,9	0,5	0,5
Audit business in addition to the audit engagement (EY)	0,0	0,0	0,0	0,0
<b>Total</b>	<b>1,1</b>	<b>0,9</b>	<b>0,5</b>	<b>0,5</b>

The auditing company KPMG has been Rottneros' auditor since the meeting on 16 May, 2018. Rottneros has not purchased any significant services in addition to auditing activities from the auditing company elected by the AGM.

**NOTE 6. FINANCIAL INSTRUMENTS**

Financial instruments for each category

	2021	2020
<b>Assets</b>		
Financial assets available for sale		
Financial assets available for sale	8	8
Derivatives		
Derivative instruments used for hedging purposes	149	21
Financial receivables and cash and cash equivalents		
Accounts receivable	322	219
Cash and cash equivalents	161	330
<b>Summa tillgångar</b>	<b>640</b>	<b>578</b>
<b>Liabilities</b>		
Financial liabilities		
Interest-bearing liabilities	145	411
Accounts payable	220	204
Derivatives		
Derivative instruments used for hedging purposes	8	-
<b>Total liabilities</b>	<b>373</b>	<b>615</b>

**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 in the fair value hierarchy
	2021	2020	
<b>Assets</b>			
Financial assets available for sale	8	8	Level 3
Derivative instruments used for hedging purposes	149	21	Level 2
<b>Total assets</b>	<b>157</b>	<b>29</b>	
<b>Liabilities</b>			
Derivative instruments used for hedging purposes	8	0	Level 2
<b>Total liabilities</b>	<b>8</b>	<b>0</b>	

**Financial instruments that are measured at amortised cost**

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

	2021		2020	
	Book value	Fair value	Book value	Fair value
<b>Assets</b>				
Accounts receivable	322	322	219	219
Derivative instruments such as used for hedging purposes	32	32	-	-
Cash and cash equivalents	161	161	330	330
<b>Total assets</b>	<b>515</b>	<b>515</b>	<b>549</b>	<b>549</b>
<b>Liabilities</b>				
Interest-bearing liabilities	145	145	411	426
Accounts payable	220	220	204	204
<b>Total liabilities</b>	<b>365</b>	<b>365</b>	<b>615</b>	<b>630</b>

**Financial risks and risk management**

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

The Board of Directors approves hedging levels based on proposals from senior management. The management continually assesses whether factors such as the USD exchange rate, pulp price or electricity price present attractive opportunities for strategic hedging. Financial hedging instruments are not used speculatively, but solely to hedge transactions and costings in accordance with the approved financial policy. A more detailed description of opportunities and risks, together with a sensitivity analysis, can be found on pages 63-69.

**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 July 2021, Rottneros redeemed a bond loan of 400 MSEK and raised a bank loan of 150 MSEK. The Group's borrowing is shown in Note 19 on page 99. Interest rate risk is mainly linked to the variable interest rate on the bank loan and to 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

	2021		2020	
	Assets	Liabilities	Assets	Liabilities
<b>Fair value hedges</b>				
Currency forwards	-	-	-	-
Cash flow hedges				
Pulp price forwards	0	8	8	-
Electricity price forwards	149	-	13	-
<b>Total</b>	<b>149</b>	<b>8</b>	<b>21</b>	<b>0</b>
Minus non-current portion:				
Electricity price forwards	-42	-	-2	-
<b>Current portion</b>	<b>107</b>	<b>8</b>	<b>19</b>	<b>0</b>

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

The 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 2021

Hedging	Hedged volume	Maturity	Hedging level	Fair value
Currency USD, forward sell	-	-	-	-
Currency EUR, forward sell	-	-	-	-
Pulp price, forward sell	12 000 ton	Jan-Dec 2022	9 721 SEK/ton	-8
Electricity price, forward buy	1 025 640 MWh	2022-2025	0,32 SEK/kWh	149
<b>Total fair value</b>				<b>141</b>

## 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 ton	Jan-Jun 2021	8 870 SEK/ton	8
Electricity price, forward buy	1 200 600 MWh	2021-2025	0,298 SEK/kWh	13
<b>Total fair value</b>				<b>21</b>

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

## NOTE 7. PERSONNEL AND REMUNERATION

	2021		2020	
	Average no. of employees	of whom women %	Average no. of employees	of whom women %
Parent Company	13	31	12	33
Subsidiaries	303	18	306	17
<b>Group, total</b>	<b>316</b>	<b>18</b>	<b>318</b>	<b>17</b>
Of which				
Sweden	313	18	315	17
Latvia	3	77	3	77

Pay and other remuneration plus social security contributions:

	2021			2020		
	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	10	4	17	8	4
Subsidiaries	168	65	13	164	61	11
<b>Group, total <sup>1</sup></b>	<b>185</b>	<b>75</b>	<b>17</b>	<b>181</b>	<b>69</b>	<b>15</b>

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 and other employees:

	2021			2020		
	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 <sup>1</sup>	12	2	3	13	0	4
Subsidiaries	3	0	165	3	0	161
<b>Group, total</b>	<b>15</b>	<b>2</b>	<b>168</b>	<b>16</b>	<b>0</b>	<b>165</b>

## Remuneration of senior executives

### Principles

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

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

See page 60 in the Directors' Report for the Board's proposal to the AGM 2022 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 2021 (MSEK)	Basic salary/ Directors' fees	Variable remuneration	Other benefits	Pension expenses	Other remuneration	TOTAL
Chairman of the Board, Per Lundeen	0,6	-	-	-	-	0,6
Board members::						
Marie S. Arwidson	0,3	-	-	-	-	0,3
Ulf Carlson	0,3	-	-	-	-	0,3
Roger Mattsson	0,3	-	-	-	-	0,3
Conny Mossberg	0,3	-	-	-	-	0,3
Chief Executive Officer Lennart Eberleh	3,2	0,8	0,1	1,5	0,0	5,6
Other senior executives (eight people)	10,0	1,3	0,4	3,3	0,1	15,1
<b>Total</b>	<b>15,0</b>	<b>2,1</b>	<b>0,5</b>	<b>4,8</b>	<b>0,1</b>	<b>22,5</b>

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
<b>Total</b>	<b>14,3</b>	<b>0,0</b>	<b>0,5</b>	<b>4,1</b>	<b>0,1</b>	<b>19,0</b>

### Comments to the table

- Variable remuneration refers to what was charged to the result for 2021 and 2020, respectively. No variable remuneration was paid for 2020.
- Other benefits mainly relate to company cars and health insurance.
- The board has two representatives and two deputies for the employees. The two representatives are Jerry Sohlberg and Mika Palmu and the two deputies are Jimmy Thunander and Jörgen Wasberg. A fee of 27 500 (27 500) SEK per person is paid to the four representatives.
- The group of senior executives at the end of the year, with a total of nine people, consisted of seven men and two women. The board at the end of the year, with a total of seven people, consisted of six men and one woman.

**NOTE 8. FINANCIAL INCOME AND EXPENSES**

	Group		Parent Company	
	2021	2020	2021	2020
<b>Financial income</b>				
External interest income	0	0	0	0
Interest income from subsidiaries	-	-	21	-
Dividends from external companies	1	0	-	-
Group contributions received/paid, net	-	-	162	87
<b>Total</b>	<b>1</b>	<b>0</b>	<b>183</b>	<b>87</b>
<b>Financial expenses</b>				
Interest expenses	-22	-19	-21	-19
<b>Total</b>	<b>-22</b>	<b>-19</b>	<b>-21</b>	<b>-19</b>

**NOTE 9. INCOME TAXES**

	Group		Parent Company	
	2021	2020	2021	2020
Current tax	-26	-11	-25	-11
Deffered tax	-22	22	0	0
<b>Summa</b>	<b>-48</b>	<b>11</b>	<b>-25</b>	<b>-11</b>

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

	Group		Parent Company	
	2021	2020	2021	2020
Income for the year before tax	246	-62	117	40
Tax at applicable tax rate	-51	13	-24	-9
Tax effect of non-deductible items	-1	-1	-1	-1
Tax effect of non-taxable items	0	0	0	0
Tax <b>attributable to previous years</b>	0	-2	0	-2
Tax effect investments 2021	4	0	0	0
<b>Reported tax expense</b>	<b>-48</b>	<b>11</b>	<b>-25</b>	<b>-11</b>

**Tax rate**

The current tax rate for 2021 was 20.6 (21.4) percent. According to the Riksdag's decision in June 2018, the tax rate will be reduced to 21.4 percent during 2019-2020 and to 20.6 percent fr.o.m. 2021. Rottneros has revalued its deferred tax assets and liabilities according to the new tax rates. The effect of the revaluation was included in the reported tax expense in 2018.

**Temporary differences**

Temporary differences exist in cases where the reported or tax values of assets or liabilities are different. Temporary differences regarding 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
<b>As of 1 January 2020</b>	-	-11	-124	0	-135
Recognised in income statement	-	0	23	0	23
Recognised in other comprehensive income	-	7	-	-	7
<b>As of 31 December 2020</b>	-	-4	-101	0	-105
Recognised in income statement	-	0	-26	0	-22
Recognised in other comprehensive income	-	-25	-	-	-25
<b>As of 31 December 2021</b>	-	-29	-127	0	-152

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	
	2021	2020	2021	2020
Deferred tax assets, non-current	4	0	0	0
Deferred tax liabilities, long-term	-156	-105	-	-
<b>Total</b>	<b>-152</b>	<b>-105</b>	<b>0</b>	<b>0</b>

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

	Group		Parent Company	
	2021	2020	2021	2020
Deferred tax assets	4	-	0	0
Deferred tax liabilities	-156	-105	-	-
<b>Total</b>	<b>-152</b>	<b>-105</b>	<b>0</b>	<b>0</b>

## NOTE 10. INTANGIBLE ASSETS

Group	2021						2020					
	Soft-ware	Trade-marks	Licences	Assets under develop-ment	Goodwill	Total	Soft-ware	Trade-marks	Licences	Assets under develop-ment	Goodwill	Total
Opening cost	42	25	0	0	21	88	59	25	2	6	-	92
Acquisitions for the year	0	-	-	-	-	0	0	-	-	-	-	0
Acquisition of subsidiary <sup>1</sup>	-	-	-	-	-	0	-	-	-	-	21	21
Items transferred during the year	-	-	-	-	-	0	-17	-	-2	-6	-	-25
<b>Closing accumulated cost</b>	<b>42</b>	<b>25</b>	<b>0</b>	<b>0</b>	<b>21</b>	<b>88</b>	<b>42</b>	<b>25</b>	<b>0</b>	<b>0</b>	<b>21</b>	<b>88</b>
Incoming depreciation and write-downs	-33	-25	-	-	0	-58	-47	-25	-2	-6	-	-80
Items transferred during the year	-6	-	-	-	-	-6	-5	-	-	-	-	-5
Depreciation for the year	-	-	-	-	-	0	19	-	2	6	-	27
<b>Closing accumulated depreciation/amortisation and impairment losses</b>	<b>-39</b>	<b>-25</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-64</b>	<b>-33</b>	<b>-25</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>-58</b>
<b>Closing residual value according to plan</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21</b>	<b>25</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21</b>	<b>30</b>

Parent Company	2021			2020		
	Licences	Assets under development	Total	Licences	Assets under development	Total
Opening cost	18	0	18	32	6	38
Acquisitions for the year	-	-	-	0	-	-
Items transferred during the year	-	-	-	-15	-6	-21
<b>Outgoing accumulated acquisition values</b>	<b>18</b>	<b>0</b>	<b>18</b>	<b>18</b>	<b>0</b>	<b>18</b>
Incoming depreciation and write-downs	-11	0	-11	-22	-6	-28
Depreciation for the year	-4	-	-4	-4	-	-4
Items transferred during the year	-	-	-	15	6	21
<b>Outgoing accumulated depreciation and amortization</b>	<b>-14</b>	<b>0</b>	<b>-14</b>	<b>-11</b>	<b>0</b>	<b>-11</b>
<b>Closing residual value according to plan</b>	<b>4</b>	<b>-</b>	<b>4</b>	<b>7</b>	<b>-</b>	<b>7</b>

<sup>1</sup> Goodwill that is expected to be tax deductible amounts to SEK 0.0 thousand. 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**

2021							
Group	Land	Land improvements	Buildings	Machinery	Equipment	Const. in progress/adv.	Total
Opening cost	3	102	248	2 339	94	34	2 820
Acquisitions for the year	-	-	1	26	0	97	124
Sales/disposals	-	-	-	-3	-4	-	-7
Through acquisitions	-	-	-	-	-	-	0
Items transferred during the year	-	3	3	7	3	-15	1
<b>Closing accumulated acquisition values</b>	<b>3</b>	<b>105</b>	<b>252</b>	<b>2 369</b>	<b>93</b>	<b>116</b>	<b>2 938</b>
Opening depreciation	-	-27	-94	-1 420	-56	-	-1 597
Sales/disposals	-	-	-	3	2	-	5
Depreciation for the year	-	-5	-12	-87	-9	-	-113
Acquisition of subsidiarie	-	-	-	-	-	-	-
<b>Closing accumulated depreciation</b>	<b>-</b>	<b>-32</b>	<b>-106</b>	<b>-1 504</b>	<b>-63</b>	<b>-</b>	<b>-1 705</b>
Opening impairment losses	-	-	-	-10	-10	-	-20
Write-down for the year	-	-	-	-	-	-	-
<b>Closing accumulated impairment losses, net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-10</b>	<b>-10</b>	<b>-</b>	<b>-20</b>
<b>Closing residual value according to plan</b>	<b>3</b>	<b>73</b>	<b>146</b>	<b>855</b>	<b>20</b>	<b>116</b>	<b>1 213</b>

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							
<b>Adjusted acquisition value</b>	<b>3</b>	<b>97</b>	<b>236</b>	<b>2 257</b>	<b>83</b>	<b>34</b>	<b>2 710</b>
Acquisitions for the year	-	1	2	46	6	60	115
Sales/disposals	-	-	-	-6	-6	-	-12
Acquisition of subsidiarie	-	-	-	-	7	-	7
Items transferred during the year	-	4	10	42	4	-60	-
<b>Closing accumulated acquisition values</b>	<b>3</b>	<b>102</b>	<b>248</b>	<b>2 339</b>	<b>94</b>	<b>34</b>	<b>2 820</b>
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 subsidiarie	-	-	-	-	-2	-	-2
<b>Closing accumulated depreciation</b>	<b>-</b>	<b>-27</b>	<b>-94</b>	<b>-1 420</b>	<b>-56</b>	<b>-</b>	<b>-1 597</b>
Opening impairment losses	-	-	-	-6	-9	-	-15
Write-down for the year	-	-	-	-4	-1	-	-5
<b>Closing accumulated impairment losses, net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-10</b>	<b>-10</b>	<b>-</b>	<b>-20</b>
<b>Closing residual value according to plan</b>	<b>3</b>	<b>75</b>	<b>154</b>	<b>909</b>	<b>28</b>	<b>34</b>	<b>1 203</b>

**NOTE 12. OTHER FINANCIAL ASSETS**

	Group		Parent Company	
	2021	2020	2021	2020
Shares in group companies	-	-	327	327
Shareholding in Söderhamns Stuveri & Hamn AB (16%) <sup>1</sup>	8	8	-	-
Other long-term receivables	51	42	51	42
Receivables from group companies	-	-	466	283
<b>Closing planned residual value</b>	<b>59</b>	<b>50</b>	<b>844</b>	<b>652</b>

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	
					2021	2020
Vallvik Mill AB	556445-8163	Söderhamn	415 000	100	101	101
Rottneros Mill AB	556014-4502	Sunne	2 100 000	100	89	89
Rottneros Packaging AB	556307-5356	Stockholm	10 000	100	26	26
Utansjö Mill AB	556012-7994	Härnösand	500 000	100	79	79
SIA Rottneros Baltic	319 171	Lettland	100	100	6	6
Nykvist Skogs AB	556378-8735	Gräsmark	1 000	100	26	26
<b>Total</b>					<b>327</b>	<b>327</b>

Change in the value of participating interests in Group companies	Parent Company	
	2021	2020
Opening cost	872	821
This year's acquisitions of subsidiaries and capital injections	-	51
<b>Closing accumulated cost</b>	<b>872</b>	<b>872</b>
Opening impairment losses	-545	-545
<b>Closing accumulated impairment losses, net</b>	<b>-545</b>	<b>-545</b>
<b>Closing book value</b>	<b>327</b>	<b>327</b>

**NOTE 13. PLEDGED ASSETS**

	Group		Parent Company	
	2021	2020	2021	2020
<b>Floating charges</b>				
Pledged to Danske Bank	285	285	50	50
Held by the company	225	225	225	225
<b>Shares in subsidiaries</b>				
Pledged to Danske Bank	-	-	-	-
<b>Mortgage deed</b>				
Pledged to Danske Bank	-	-	-	-
Held by the company	382	382	-	-
<b>Total</b>	<b>892</b>	<b>892</b>	<b>275</b>	<b>275</b>

On 31 December, 2021, a part of the Group's and the Parent Company's corporate mortgages were pledged to Danske Bank as security for the Group's overdraft facility 182 MSEK and for the Group's obligations in connection with currency and electricity price derivative contracts where Danske Bank is the counterparty.

On 31 December, 2020, a part of the Group's and the Parent Company's corporate mortgages were pledged to Danske Bank as security for the Group's overdraft facility 182 MSEK and for the Group's obligations in connection with currency and electricity price derivative contracts where Danske Bank is the counterparty.

**NOTE 14. INVENTORIES**

	Group	
	2021	2020
Raw materials and consumables	69	70
Spare parts etc.	96	93
Finished goods inventory	180	229
Obsolescence deduction - Spare parts etc.	-17	-16
Value deduction for net sales	-1	-21
<b>Total</b>	<b>327</b>	<b>355</b>

**NOTE 15. ACCOUNTS RECEIVABLE**

	Group		Parent Company	
	2021	2020	2021	2020
Accounts receivable, gross	322	219	-	-
Provision for doubtful accounts receivable	-	-	-	-
<b>Accounts receivable, net</b>	<b>322</b>	<b>219</b>	<b>-</b>	<b>-</b>

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

	Group		Parent Company	
	2021	2020	2021	2020
Opening balance	-	-	-	-
Receivables written off over the year as uncollectable	-	-	-	-
<b>Closing balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

As of December 31, 2021, accounts receivable amounting to 29 (18) MSEK were due without any need for impairment. These apply to a number of independent customers who have not previously had any payment difficulties. The receivables are also covered by credit insurance, which recovers most of any customer losses. The age analysis of these accounts receivable is shown below:

	Group		Parent Company	
	2021	2020	2021	2020
Accounts receivable that are not due	293	201	-	-
Less than 30 days from due date	21	18	-	-
2 to 3 months from due date	7	0	-	-
3 to 9 months from due date	1	0	-	-
<b>Total</b>	<b>322</b>	<b>219</b>	<b>-</b>	<b>-</b>

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

	Group		Parent Company	
	2021	2020	2021	2020
USD	181	139	-	-
EUR	71	33	-	-
SEK	70	47	-	-
Other currencies	0	0	-	-
<b>Total</b>	<b>322</b>	<b>219</b>	<b>-</b>	<b>-</b>

**NOTE 16. OTHER CURRENT RECEIVABLES**

	Group		Parent Company	
	2021	2020	2021	2020
Receivables from subsidiaries	-	-	236	469
Emission rights	48	-	-	-
Other receivables	41	45	8	0
Prepaid expenses and accrued income				
Prepaid insurance premiums	2	1	1	0
Other prepaid expenses	3	3	1	1
Accrued income	0	0	32	0
<b>Total prepaid expenses and accrued income</b>	<b>5</b>	<b>4</b>	<b>34</b>	<b>1</b>
<b>Total</b>	<b>94</b>	<b>49</b>	<b>278</b>	<b>470</b>

**NOTE 17. CASH AND CASH EQUIVALENTS**

	Group		Parent Company	
	2021	2020	2021	2020
Cash and bank balances	161	330	143	317

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

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

Group and Parent Company	Number of shares <sup>1</sup>	Share capital
As of 31 December 2021	152 571 925	153
As of 31 December 2020	152 571 925	153

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

Average number of shares outstanding 2021	152 571 925
Average number of shares outstanding, 2020	152 571 925

All shares are of the share class ordinary shares and have a quota value of 1 SEK per share. All shares are fully paid. The Parent Company's holding of own shares amounts to 821 965 (821 965) ordinary shares with a total nominal value of 822 000 SEK.

**Share-based incentive programs**

There were no share-based incentive programs in the Group as of the end of December 2021 and 2020.

**Dividend for the financial year 2020**

At the Annual General Meeting on 28 April, 2021, it was decided that no dividend would be paid. At the Extraordinary General Meeting on 22 September, 2021, it was decided on a dividend of 0,45 SEK per share, amounting to a total of 68 657 366 SEK.

**Proposal for profit distribution**

For the financial year 2021, the Board will propose to the Annual General Meeting that dividend is paid.

**At the disposal of the Annual General Meeting are:**

Balanced profits	147 082 247
Net profit for the year	92 554 455
<b>Total SEK</b>	<b>239 636 702</b>

**The Board proposes:**

to be distributed to shareholders <sup>1,2</sup>	91 543 155
To be carried forward	148 093 547
<b>Total SEK</b>	<b>239 636 702</b>

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

**Capital risk management**

Rottneros' goal regarding the capital structure is to secure the Group's ability to continue its operations, so that it can continue to generate returns for shareholders and benefit other stakeholders, and to maintain an optimal capital structure to keep capital costs down.

To maintain or adjust the capital structure, the Group may raise new loans, change the dividend paid to shareholders, repay capital to shareholders, issue new shares or sell assets to reduce liabilities. In the same way as other companies in the industry, the Group assesses capital on the basis of the equity ratio. This key figure is calculated as interest-bearing net debt / cash divided by equity.

The Group's equity ratio as of 31 December, 2021 was -1.1 (6)%.

**Hedging reserve in the Group's equity**

	2021	The Group 2020
Opening balance	17	45
Cash flow hedges:		
Value changes		
Income tax attributable to changes in value	216	-43
Realized pulp price hedges		
Income tax attributable to changes in value	-45	9
Realized pulp price hedges	17	-22
Tax effect realized pulp price hedges	-3	5
Realized electricity price hedges	-113	29
Tax effect realized electricity price hedges	23	-6
<b>Closing balance</b>	<b>112</b>	<b>17</b>

**NOTE 19. INTEREST-BEARING LIABILITIES**

	The Group		Parent company	
	2021	2020	2021	2020
Bond	-	397	0	398
Bank loan	133	0	133	-
Finance lease	12	14		
Due for payment:				
Within one year	2	2	-	-
Later than one year but within five years	140	404	133	398
Later than five years	3	5	-	-

**Changes in interest-bearing liabilities**

	The Group		Parent company	
	2021	2020	2021	2020
<b>Opening balance</b>	<b>411</b>	<b>411</b>	<b>398</b>	<b>396</b>
Changes included in cash flow from financing activities:				
Bond issue	-	-	-	-
Long-term loans taken out from banks	150	-	150	-
Amortisation of long-term loans taken out from banks	-416	-	-416	-
Change in credit facilities	-	-	-	-
<b>Total changes included in cash flow from financing activities:</b>	<b>-266</b>	<b>-</b>	<b>-266</b>	<b>-</b>
Other changes:				
Finance lease	-1	-1	-	-
Direct costs charged to expense over the loan period	1	1	1	2
<b>Total other changes</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>2</b>
<b>Closing balance</b>	<b>145</b>	<b>411</b>	<b>133</b>	<b>398</b>

**Bond loans and bank loans**

In August 2017, Rottneros AB issued an unsecured bond loan of 400 MSEK with a maturity of 5 years. The loan had a variable interest rate of STIBOR 3m + 4,15 percent and would have been repaid in September 2022.

The bond loan was repaid prematurely during July 2021 during a refinancing and was replaced with a bank loan of 150 MSEK. The refinancing also includes an RFC of 100 MSEK that can be called off if necessary.

The loan terms contain customary so-called covenants in the form of net debt in relation to operating profit before depreciation a maximum of 3,25 and a dividend of a maximum of 50% of the previous year's net profit. The loans and utilized overdraft facilities may also not exceed the value of the collateral base, which is 75 per cent of the nominal value of accounts receivable and 70 per cent of the value of inventories. At the balance sheet date, these covenants were met.

The market value of the loan is estimated to be SEK 133 million at the balance sheet date.

**Credit facilities**

As of 31 December, 2021 and 2020, the Group had not used its overdraft facilities. Unutilized overdraft facility amounted to 182 (182) MSEK as of 31 December, 2021.

As of 31 December, 2021 and 2020, the parent company had not used its overdraft facilities. Unutilized overdraft facility amounted to 90 (90) MSEK as of 31 December, 2021.

The overdraft facility is available in the currencies SEK, USD and EUR. Interest on the balance sheet date was as follows:

Percent	2021			2020		
	SEK	USD	EUR	SEK	USD	EUR
Overdraft facility	1,10	1,36	0,72	1,10	1,50	0,78

**NOTE 20. ACCOUNTS PAYABLE**

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

	Group		Parent Company	
	2021	2020	2021	2020
SEK	185	181	0	2
EUR	34	22	-	-
USD	1	1	-	-
<b>Total</b>	<b>220</b>	<b>204</b>	<b>0</b>	<b>2</b>

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

**NOTE 21. OTHER NON-INTEREST-BEARING LIABILITIES**

	Group		Parent Company	
	2021	2020	2021	2020
Liabilities to subsidiaries	-	-	224	158
Tax liabilities	6	23	11	28
Other liabilities	24	19	1	1
Accrued expenses and deferred income:				
Holiday pay liability	36	24	3	2
Social security contributions	8	16	1	1
Payroll liability	13	12	-	-
Raw material cost and input goods	94	59	-	-
Emission rights	47	0		
Övriga upplupna kostnader	47	30	9	3
Övriga förutbetalda intäkter	0	8	-	-
<b>Summa upplupna kostnader och förutbetalda intäkter</b>	<b>245</b>	<b>149</b>	<b>13</b>	<b>6</b>
<b>Summa</b>	<b>275</b>	<b>191</b>	<b>249</b>	<b>193</b>

**NOTE 22. CONTINGENT LIABILITIES**

The Group has contingent liabilities regarding guarantees amounting to SEK 8 (5) million and a provision in a bank account with SEB amounting to SEK 0 (54) million for the Group's obligations in connection with electricity price derivative contracts where SEB is the counterparty. In 2020, the parent company had a provision in a bank account with SEB amounting to SEK 54 million, there are no provisions for 2021.

**NOTE 23. EVENTS AFTER THE END OF THE PERIOD AND OTHER DISCLOSURES**

The boards of Rottneros and Arctic Paper have decided to invest 15 MEUR in the first phase, in a factory for molded fibrous trays at Arctic Paper's paper mill in Kostrzyn, Poland. It will be a 50/50 owned joint venture company. Russia's attack on Ukraine has led to a serious deterioration security policy situation. Rottneros has analyzed the impact on purchasing and supply chains, including origin, availability, price influence and sanctions. The assessment is that the impact, which at present cannot be quantified, will be mainly indirect through changed conditions for input goods, energy and freight.

In other respects, no significant events after the end of the financial year have been noted that would affect the financial statements as of December 31, 2021. For information on risks that the company faces, please refer to the section opportunities and risks, see pages 63-69.

# 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, 21 March 2022

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

**Jerry Sohlberg**  
Board Member  
Employee Representative

**Mika Palmu**  
Board Member  
Employee Representative

**Lennart Eberleh**  
President and CEO

Our audit report was submitted on 21 March 2022  
KPMG AB

**Mattias Eriksson**  
Authorised Public Accountant  
Auditor in Charge

**Marina Pääkkö**  
Authorised Public Accountant

# Auditors' report

To the general meeting of the shareholders of Rottneros AB (publ),  
corp. id 556013-5782

## REPORT ON THE ANNUAL ACCOUNTS & CONSOLIDATED ACCOUNTS

### Opinions

We have audited the annual accounts and consolidated accounts of Rottneros AB (publ) for the year 2021, except for the corporate governance statement on pages 70-75 and the sustainability report on pages 36-57. The annual accounts and consolidated accounts of the company are included on pages 58-100 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 2021 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 2021 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 70-75 and sustainability report on pages 36-57. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

### Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

## REVENUE RECOGNITION

See disclosure 1 and accounting principles on page 86 in the annual account and consolidated accounts for information and description of the matter.

### Description of key audit matter

Net turnover for 2021 amounted to 2 303 MSEK for the Group. Turnover for sales of products are recognized in the income statement when material risks and benefits connected to the products ownership have been transferred to the buyer, which is usually in connection with delivery.

Turnover includes revenue from sales of products and invoiced freights, returns, discounts and pulp price hedging, which are presented excluding value added tax. Conditions for freight regarding the sales transactions can vary between regions/countries/products, where as the ownership can be transferred before the actual delivery of products has taken place. Revenue is recognized at the specific time when ownership is transferred to the client. Invoicing is performed in connection with the delivery. Revenue is recognized to the fair value of what is received or will be received for sold products in the Group's operating activities.

### Response in the audit

In our audit we have evaluated the design and implementation of controls used by the company regarding revenue recognition of products sold.

Furthermore, we have reviewed a sample of contracts in order to analyse relevant key areas in the contracts and evaluate the suitability of the applied accounting rules. We have reviewed a sample of sales transactions before and after year end in order to evaluate if correct conditions have been applied according to the contracts and that risks and benefits have been transferred to the customers. Through samples, we have also reviewed that revenue is in line with the information in the ERP-system. In addition, we have also verified the safety in the IT-system and that controls exists between the sub-ledger and the general ledger and the ERP-system. This in order for revenue to be accounted for in the correct period of time when ownership have been transferred.

## VALUATION OF FINISHED GOODS

See disclosure 14 and accounting principles on page 87 in the annual account and consolidated accounts for 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 179 MSEK in the consolidated financial statements as of 31 December 2021. 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 4-35 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, measures that have been taken to eliminate the threats or related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

#### Auditor's audit of the administration and the proposed appropriations of profit or loss

##### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Rottneros AB (publ) for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

##### Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

### The auditor's examination of the Esef report

#### Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Rottneros AB (publ) for year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report 3ZPW/brysSTaHgk= has been prepared in a format that, in all material respects, enables uniform electronic reporting.

#### Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Rottneros AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the

Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed. RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material

misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of the assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

### The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 70-75 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

### The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the sustainability report on pages 36-57, 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.

KPMG AB, Box 382, 101 27 Gothenburg, was appointed auditor of Rottneros AB (publ) by the general meeting of the shareholders on the 2 of May 2019. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2018.

Stockholm, 21 March 2022  
KPMG AB

Mattias Eriksson  
Authorized Public Accountant

Marina Pääkkö  
Authorized 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. Independent of the company and its management, but not 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 CARLSSON**  
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 MATTSSON**  
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



**MIKA PALMU**  
Employee representative since 2016.

**Born:** 1975

**Current position:**

Production coordinator, Vallvik Mill AB

**Present board assignments:**  
Chairman of Unionen dept. 23

**Shareholding:** 0



**JERRY SOHLBERG**  
Employee representative since 2020.

**Born:** 1989

**Current position:**

Warehouse worker, Vallvik Mill AB

**Present board assignments:**  
Chairman Paper dept. 89

**Shareholding:** 0



**JÖRGEN WASBERG**  
Employee representative since 2019.

**Born:** 1975

**Current position:**

Operator, Vallvik Mill AB

**Present board assignments:**  
Chairman Paper dept. 106.

**Shareholding:** 0



**JIMMY THUNANDER**  
Employee representative since 2021, alternate

**Born:** 1975

**Current position:**

Operations Manager, Rottneros Mill AB

**Aktuella styrelseuppdrag:**  
Chairman of Unionen, Rottneros Mill AB

**Aktieinnehav:**  
500 aktier

**AUDITORS KPMG AB**

Auditor in Charge:  
Mattias Eriksson  
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 of Swedish Forest Industries Federation, Paper Province ek. association, Forest Friends AB, Ecopals IP AB.  
**Shareholding:** 251 000 shares



**PIA OHLSON**  
Chief Financial Officer (CFO)  
**Born:** 1967  
**Education:** Civilekonom  
**Employed since:** 2021  
**Present board assignments:**  
Board member of LF Gävleborg  
**Shareholding:** 1 000 aktier



**IDA MÖRTSELL**  
Director HR & Safety  
**Born:** 1984  
**Employed since:** 2014.  
**Shareholding:** 10 200 shares



**PETER SÄVELIN**  
COO  
**Born:** 1963  
**Education:** M.Sc. Chemical Engineering  
**Employed since:** 2020  
**Shareholding:** 0



**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



**NILS HAURI**  
Director of Innovation and strategic projects  
**Born:** 1981  
**Education:** M.Sc. Chemical Engineering  
**Employed since:** 2007  
**Shareholding:** 8 000 shares



**JESPER JANSSON**  
Site Manager Rottneros Packaging  
**Born:** 1990  
**Employed since:** 2020  
**Shareholding:** 0



**PÅR SKINNARGÅRD**  
Managing Director, Nykvist Skogs AB  
**Born:** 1967  
**Education:** Forest Technician  
**Employed since:** 2020  
**Shareholding:** 4 850 aktier

# The Rottneros share 2021

The Rottneros share is listed on Nasdaq Stockholm. Rottneros had a market value of approximately 1 598 (1 250) MSEK and its share price was 10,42 (8,15) SEK as of 31 December 2021.

The Rottneros share has been listed on Nasdaq Stockholm since November 1987. Rottneros was part of the Mid Cap segment in 2021 and is classified as a company in the Basic Resources sector. At the end of 2021, Rottneros' market capitalization was approximately 1 598 (1 250) MSEK and the company had 11 946 (13 708) shareholders. The foreign shareholders' share in Rottneros amounted to 63,06 (62,68) percent of the capital. Rottneros' share price was 10,42 (8,15) SEK at the end of December 2021, a positive development of 28 percent (negative 29) percent.

The Stockholm Stock Exchange, Nasdaq Stockholm, had a positive in 2021 development of 35 (13) percent, according to the OMXSPI index. The Rottneros shares' closing price peaked at 11,94 (11,60) SEK on 27 August while the lowest price, SEK 7,90 (7,62), was quoted on 4 February. The average price during the year was 9,77 (9,10) SEK.

## TURNOVER OF THE SHARE

In 2021, a total of 49 (38) million shares were traded at a value of 491 (349) MSEK. This corresponds to a turnover rate of the share stock during the year of 32 (25) percent. On average, 212 (252) trades were made each day in Rottneros' share.

## SHARE CAPITAL AND OWNERSHIP OF OWN 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 give 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 at 821 965 shares, which corresponds to 0,54 percent of the number of outstanding shares.

## DIVIDEND

For the financial year 2019 and 2020, a dividend of 0,45 SEK per share was paid in September 2021. For the 2022 Annual General Meeting, the Board proposes that the strong result allows for an ordinary dividend of 0,40 SEK and an extra dividend of 0,20 SEK, which is why the Board proposes a total dividend of 0,60 SEK per share for 2021.

## DIVIDEND POLICY

Rottneros' policy is to distribute 30-50 percent of the net profit, in line with the long-term financial objectives.

## SHAREHOLDING OF BOARD OF DIRECTORS AND SENIOR EXECUTIVES

As of 31 December, 2021, the Board's and senior executives' own and related parties' holdings amounted to a total of 599 120 (610 503) shares in Rottneros AB. No warrants were issued as of end December 2021

## SHAREHOLDER INFORMATION

Rottneros informs 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](http://www.rottneros.com). There is also a presentation given in connection with quarterly reports available. The main channel for the annual report is the website, which is why the annual report is not sent to shareholders who do not explicitly request this.

## Share performance and turnover

JAN 2017 – DEC 2021



# Ownership structure

AS OF 31 DECEMBER 2021

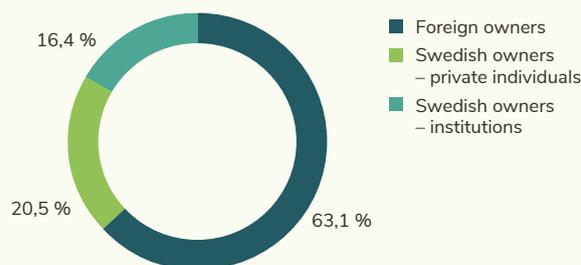
Shareholders	Antal aktier (=röster)	Procent av kapitalet
Arctic Paper S.A.	78 230 883	51,0
PROAD AB	11 565 500	7,5
UBS Switzerland AG, W8IMY	6 059 434	4,0
Caceis Bank, Switzerland Branch, W8IMY	3 176 170	2,1
Försäkringsaktiebolaget Avanza Pension	3 135 412	2,0
CBNY-DFA-INT SML CAP V	1 334 092	0,9
KBC BANK NV, W-8IMY	1 209 420	0,8
Caceis Bank Spain SAU, W8IMY	1 155 113	0,8
Handelsbanken Fonder	957 706	0,6
Pension, Futur	782 662	0,5
<b>Total for 10 largest holdings - by size of holding</b>	<b>107 606 392</b>	<b>70,2</b>
Other shareholders	44 965 533	29,3
Rottneros AB ((treasury shares)	821 965	0,5
<b>TOTAL</b>	<b>153 393 890</b>	<b>100,0</b>

# Shareholder spread

AS OF 31 DECEMBER 2021

Number of shares	Shareholders	Percent of capital
1 – 500	6 621	0,6
501 – 1 000	1 636	0,9
1 001 – 5 000	2 470	4,0
5 001 – 10 000	578	3,0
10 001 – 15 000	173	1,4
15 001 – 20 000	107	1,3
20 001 –	361	88,8
<b>TOTAL</b>	<b>11 946</b>	<b>100,0</b>

DISTRIBUTION OF OWNERSHIP BY CATEGORY



# Share data<sup>1</sup>

		2021	2020	2019	2018	2017
Shares, opening <sup>2</sup>	Number	152 572	152 572	152 572	152 572	152 572
Shares, closing <sup>2</sup>	Number	152 572	152 572	152 572	152 572	152 572
Average number of shares	Number	152 572	152 572	152 572	152 572	152 572
Holdings of treasury shares <sup>2</sup>	Number	822	822	822	822	822
Earnings per share	SEK	1,28	-0,33	1,27	1,45	0,75
Cash flow after investments/share <sup>3</sup>	SEK	1,07	-0,30	2,30	-0,21	-0,10
Equity per share	SEK	9,99	8,53	9,05	9,57	7,91
Dividend per share <sup>4</sup>						
Ordinary dividend	SEK	0,40	-	-	0,40	0,30
Extra dividend	SEK	0,20	0,45	-	1,00	0,07
Total	SEK	0,60	0,45	-	1,40	0,37
Dividend/equity per share	%	6,0	5,3	-	14,6	4,7
Share price at end of period	SEK	10,42	8,15	11,40	8,24	7,15
Market price/equity/share times	times	1,0	1,0	1,3	0,9	0,9
P/E-t ratio	times	8,1	-24,7	9,0	5,7	9,5

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

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

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

<sup>4</sup> For 2021, the proposed dividend is stated and for 2020, the dividend is decided at the Extraordinary General Meeting 2021.

# Multi-year overview

## GROUP PERFORMANCE I SUMMARY

	2021	2020	2019	2018	2017
<b>Income statement, MSEK</b>					
Net turnover	2 303	2 093	2 376	2 260	1 912
EBITDA	385	77	374	394	247
Depreciation/amortisation and impairment losses	-118	-119	-106	-99	-91
EBIT (Operating profit/loss)	267	-42	268	295	156
Financial items (net financial items)	-21	-19	-21	-19	-9
Profit/loss after financial items	246	-61	247	276	147
Tax on profit/loss for the year	-48	11	-53	-55	-35
<b>Net income</b>	<b>198</b>	<b>-50</b>	<b>194</b>	<b>221</b>	<b>114</b>
<b>Statement of cash flows, MSEK</b>					
Cash flow from operating activities	288	85	462	223	222
Investments in non-current assets	-125	-128	-109	-256	-237
Cash flow after investments	165	-46	353	-33	-15
Sale of non-current assets	2	3	0	0	0
Cash used in/provided by financing activities	-334	-3	-214	-56	325
<b>Net cash flow</b>	<b>-169</b>	<b>-46</b>	<b>138</b>	<b>-88</b>	<b>310</b>
<b>Balance sheet items, MSEK</b>					
Non-current assets	1 339	1 285	1 280	1 290	1 078
Inventories	327	355	375	389	279
Current receivables	555	287	342	484	324
Cash and cash equivalents	161	330	376	238	326
Net debt (+) / net cash (-)	-16	81	35	157	68
Shareholders' equity	1 527	1 301	1 380	1 460	1 207
Long-term interest-bearing liabilities	145	411	411	395	394
Long-term non-interest-bearing liabilities	207	150	176	137	52
Current interest-bearing liabilities	-	-	-	-	-
Current non-interest-bearing liabilities	503	395	406	409	354
Capital employed	1 511	1 382	1 415	1 617	1 275
<b>Total shareholders' equity and liabilities</b>	<b>2 382</b>	<b>2 257</b>	<b>2 373</b>	<b>2 401</b>	<b>2 007</b>
<b>Key ratio</b>					
EBITDA-margin, %	16,7	3,7	15,7	17,4	12,9
EBIT-margin, %	11,6	-2,0	11,3	13,1	8,2
Profit margin, %	8,6	-2,4	10,4	12,2	7,7
Return on equity, %	14,0	-3,8	13,7	16,6	9,7
Return on capital employed, %	18,5	-3,0	17,7	20,4	12,9
Equity/assets ratio, %	64	58	58	61	60
Equity ratio, %	-1	6	3	11	6
<b>Other</b>					
Average no. of employees	316	318	303	303	301
Pulp production, 1 000 tonnes	395,3	412,6	406,0	393,6	401,2
Pulp deliveries, 1 000 tonnes	403,2	416,5	408,3	382,5	395,9
List price of NBSK pulp, USD per tonne <sup>1</sup>	1 198	843	984	1 167	882
SEK/USD <sup>2</sup>	8,58	9,21	9,46	8,69	8,54
List price of NBSK pulp, SEK per tonne	10 280	7 765	9 304	10 144	7 530

<sup>1</sup> Source: Market listing once a week. Annual average based on weekly quotations.

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

# Quarterly data, Group

	2021				2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>Income statement, MSEK</b>												
Net turnover	598	570	593	542	490	508	510	585	546	617	582	630
EBITDA	88	130	127	40	-65	32	31	80	-5	81	131	167
Depreciation/amortisation and impairment losses	-30	-29	-30	-29	-30	-28	-29	-32	-25	-27	-28	-26
EBIT (Operating profit/loss)	58	101	97	11	-95	4	2	48	-30	54	103	141
Financial items (net financial items)	-1	-11	-4	-4	-4	-5	-5	-5	-7	-5	-5	-5
Profit/loss after financial items	57	90	93	7	-99	-2	-3	43	-37	49	98	136
Tax on profit/loss for the period	-8	-19	-19	-2	22	0	0	-11	8	-10	-21	-28
<b>Net result</b>	<b>49</b>	<b>71</b>	<b>74</b>	<b>5</b>	<b>-77</b>	<b>-1</b>	<b>-3</b>	<b>-32</b>	<b>-29</b>	<b>39</b>	<b>77</b>	<b>108</b>
<b>Per share</b>												
Earnings per share, SEK	0,32	0,47	0,48	0,03	-0,50	-0,01	-0,02	0,21	-0,19	0,25	0,51	0,71
<b>Others</b>												
Pulp production, 1 000 tonnes	91,4	92,2	109,2	102,5	95	110	98	109,4	100,4	100,3	107,7	97,6
Pulp deliveries, 1 000 tonnes	95,5	92,5	103,2	112,0	107	107	93	110,0	103,2	110,8	95,2	99,1
Pulp list price	11 573	11 557	10 012	8 044	7 382	7 465	8 226	7 988	7 950	8 753	9 900	10 527
NBSK, SEK per ton												

## 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 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.

#### EQUITY RATIO

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

#### 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.

#### EBIT-MARGIN

EBIT as a percentage of net sales.

#### EQUITY 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.

#### OPERATING PROFIT PER SHARE

Profit before financial items and income taxes divided by the average number of outstanding shares.

#### 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 (MOVING 12 MONTHS)

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.

## **BCTMP**

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

## **BEK**

Bleached Eucalyptus Kraft pulp.

## **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 wood chips 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.

## **CIRCULAR FOREST INDUSTRI**

Growing forest converts 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. For every tree that is harvested, at least two new ones are planted. 100% of the tree is utilized. The highest possible value added steers what is made of the different parts of the tree. Rottneros raw material consists of pulpwood from forestry and wood chips from various sawmills.

## **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 fibres 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.

## **PEFC**

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 CO<sub>2</sub> 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 fibres 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

Rottneros AB (publ), org. no. 556013-5872, based in Sunne, has convened the Annual General Meeting on Wednesday, 28 April, 2022 in Söderhamn.

The complete notice is published in Post- och Inrikes Tidningar and is available on the company's website, [www.rottneros.com](http://www.rottneros.com).

## REGISTRATION AND NOTIFICATION:

Shareholders who wish to participate in the proceedings of the AGM shall:

- and be entered in the share register kept by Euroclear Sweden AB Wednesday, 20 April, 2022, and
- partly to the company cast their advance vote so that the form is the company receive no later than Thursday, April 21, 2021 by sending it to the address Rottneros AB, Annual General Meeting 2021, c / o Setterwalls Advokatbyrå AB, Box 11235, 404 25 Gothenburg or via e-mail to: [rottneros@setterwalls.se](mailto:rottneros@setterwalls.se).

The advance voting form and submission instructions are available at [www.rottneros.com](http://www.rottneros.com). The advance voting form is considered as the notification of attendance to the AGM.

## NOMINEE-REGISTERED SHARES

Shareholders who have had their shares registered with a nominee through a bank or securities institution must, in order to be entitled to participate in the Annual General Meeting, request to be re-registered for the shares in their own name in the company's share register at Euroclear Sweden AB. Shareholders who wish such re-registration, so-called suffrage registration, must in good time before Friday, 22 April, 2021, when the re-registration must be completed, request it from its trustee.

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**ROTTNEROS**