

CORPORATE GOVERNANCE AT ROTTNEROS

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

PRINCIPLES FOR CORPORATE GOVERNANCE

Rottneros applies the rules prescribed by law or other enactment, and also the Code. Rottneros applied the Code without deviations in 2014.

STRUCTURE FOR CORPORATE GOVERNANCE

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

CONTROL INSTRUMENTS

The external control instruments that form the frameworks for corporate governance

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

The Board of Directors is ultimately responsible for the organisation and administration of the company's affairs. The authorities and bodies appointed by the authorities exercise supervision through receiving reports from the company and through regular checks conducted by the authorities. The internal control instruments include the Articles of Association as adopted by the AGM and similarly the Rules of Procedure for the Board and the Terms of Reference for the CEO, the Board's committees and the financial reporting. In addition, there are, for example, financial and quantitative targets, budgets, reports, policies, valuations and codes of conduct.

The policies resolved by the Board include the Code of Conduct, the Financial Policy, the Communication Policy and the Environmental Policy. The CEO decides on the Customer Credit Policy, Crisis Management Policy, IT Security Policy and Work Environment Policy, which are communicated to the Board. There are also five other important steering documents decided by the CEO or the person appointed by the CEO.

ANNUAL GENERAL MEETING

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

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

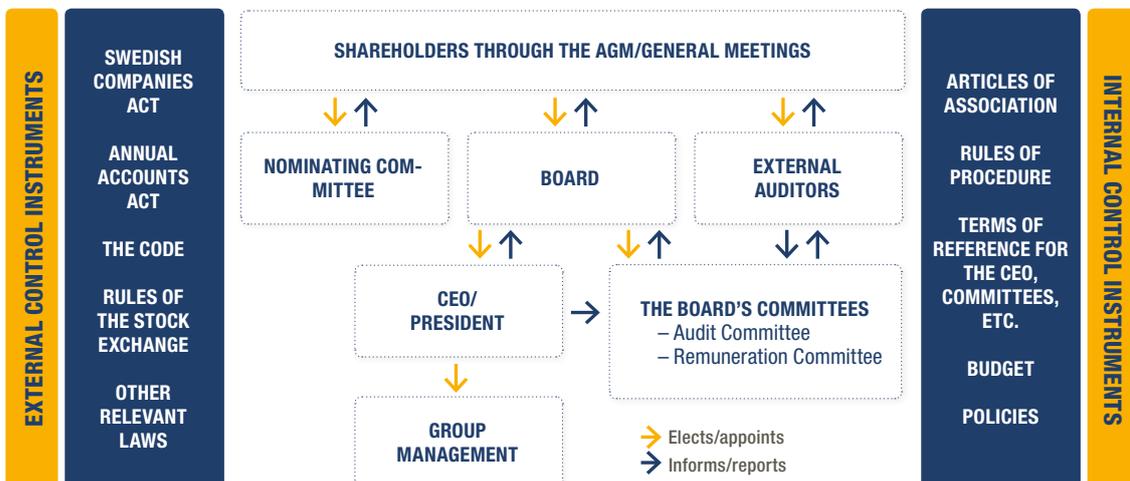
Each shareholder has the right to participate in the AGM, either in person or through an authorised proxy. Each shareholder has the right to raise issues to be addressed at the AGM. Notices of meetings and other information prior to AGMs/general meetings are available on Rottneros' website www.rottneros.com.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

Shareholders

Rottneros' ordinary shares have been listed on NASDAQ Stockholm since 1987. According to the share register kept by Euroclear Sweden, Rottneros had 6,620 shareholders on 31 December 2014. The share capital amounted to SEK 153,393,890, divided among 153,393,890 ordinary shares, each carrying equal voting rights and equal rights to the company's profit and capital. The Articles of Association contain no restrictions on the number of votes each shareholder can cast at a general meeting.

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

STRUCTURE FOR CORPORATE GOVERNANCE



December 2014. Otherwise, none of the shareholders had a direct or indirect shareholding representing at least one tenth of votes attached to all shares in Rottneros.

Rottneros' holding of treasury shares amounts to 821,965, corresponding to around 0.54 per cent of the total number of shares. Pages 66 to 67 of the company's Annual Report for 2014 provide more information about the share, shareholders, etc. Information is also available on the company's website.

2014 Annual General Meeting

Rottneros' 2014 AGM was held on 25 April 2014 in Stockholm. The company's shareholders who attended the meeting represented 64.6 per cent of the company's votes and capital (excluding Rottneros' buyback shares). A majority of the Board members, including Chairman Rune Ingvarsson, as well as the CEO, were present. The company's auditor also attended the meeting.

Among other things the AGM passed the following resolutions:

- The AGM resolved in accordance with the proposal of the Board of Directors that no dividend would be paid.
- The Board should comprise four ordinary members.
- Rune Ingvarsson, Per Lundeen and Roger Asserstål were re-elected as directors and Per Skoglund was newly elected as a director.
- Rune Ingvarsson was re-elected as Chairman of the Board.
- A fee of SEK 500,000 should be paid to the Chairman of the Board and SEK 250,000 to each of the other directors. Members of Board committees should not

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

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

NOMINATING COMMITTEE

Rottneros' AGM makes decisions on the principles for the appointment of the Nominating Committee. The 2014 AGM resolved that the Nominating

Committee shall comprise the Chairman of the Board and two additional members. The Chairman of the Board may not be Chairman of the Committee. One of these two members, in addition to the Chairman of the Board, must be a representative of the company's major shareholder and the other shall be a representative of one of the company's other four largest shareholders. Neither of these two members may be a Board member at the same time. The Nominating Committee appoints a Chairman from within its ranks. It is the responsibility of the Chairman of the Board to ensure that members are appointed as stated above. The principles also include a procedure for replacing members who leave the Nominating Committee before the end of their mandate or when a member represents a shareholder that is no longer one of the five largest shareholders.

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

COMPOSITION OF THE BOARD AND ATTENDANCE 2014

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

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

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

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

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

⁵⁾ Board members with 100 per cent attendance up until the 2014 AGM.

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

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

AUDITORS

Rottneros' auditors are elected at the AGM. At the 2014 AGM, Ernst & Young AB (EY) was elected as the company's auditor for the period up until the 2015 AGM, with authorised public accountant Erik Sandström as auditor in charge. Rottneros' Articles of Association do not set down any term for the auditor. This means that auditors for Rottneros are elected annually at the AGM in accordance with the Swedish Companies Act.

Audit work

The auditors examine the parent company's and the Group's annual accounts and accounting records and the administration of the company by the Board of Directors and the CEO. The company's auditor attends at least one Board meeting each year. The auditors attended all meetings of the Audit Committee and the 2014 AGM. The auditor attends the AGM to present the auditor's report.

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

BOARD OF DIRECTORS

Composition of the Board and fees

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

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

Evaluation of the Board's work

The Board of Directors conducts systematic evaluation work once a year where members are afforded an opportunity to present their views on work arrangements, Board material, their own and other members' contributions to the Board's work with a view to improving the work of the Board and also furnishing the Nominating Committee with relevant decision guidance documentation prior to the AGM.

INDEPENDENCE

According to the Code, a majority of the members elected at the AGM must be independent in relation to the company and executive management; also, at least two of these members must be independent in relation to the company's major shareholders. Rule 4.4 of the Code includes criteria to help assess the level of independence.

Rottneros' Board of Directors is considered to have met the requirements of the Code regarding independence, since two of the Board members elected at the AGM are considered independent of both the company and executive management and of the company's major shareholders. However, it should be noted that Board member Per Lundeen, who was appointed acting CEO as of 6 November 2014, is no longer independent in relation to the company and corporate management.

BOARD WORK AND RESPONSIBILITIES

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

Rules of Procedure for the Board

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

A statutory Board meeting is held immediately after the AGM or immediately after

extraordinary general meetings where a new Board has been elected. Rottneros held a statutory Board meeting on 25 April 2014 where among other things members of the Board committees were appointed and the above-mentioned Rules of Procedure were adopted.

In addition to the statutory meeting, the Board convenes five scheduled meetings each year and additional meetings when the Chairman sees fit or within 14 days following a request for a meeting from a member of the Board. Ten Board meetings were held in 2014. The work of the Board follows a schedule established in advance, which includes specific fixed items that require decisions during the financial year:

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

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

Financial Policy issues

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

The Board's control of financial reporting

The Board of Directors monitors the quality of financial reporting by providing instructions for its execution and through the Terms of Reference for the CEO. One of the tasks of the CEO is to work with the CFO to review and ensure the quality of all external financial reporting, including

year-end releases, interim reports, annual reports, press releases with economic content and presentation materials produced for meetings with the media, shareholders and financial institutions.

The Board's Audit Committee works to ensure that financial reporting is accurate and maintains a high quality, and also that it is given final approval by the Board and communicated. The Board receives monthly financial reports, and the financial position of the company and the Group is addressed at each Board meeting. The Board also reviews interim reports and the Annual Report.

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

THE BOARD'S COMMITTEES

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

Audit Committee

This Committee comprises four representatives of the Board of Directors. Its tasks include preparatory work for decisions to be made by the Board to assure the quality of the company's financial reporting, monitoring the efficiency of the company's internal controls and risk management, assisting the Nominating Committee when procuring audit services and arranging for the election and payment of the auditors, reviewing the scope and focus of audit assignments, addressing audit issues, evaluating audit work, establishing guidelines for the permitted purchasing of other services from the company's auditors, following up and assessing the application of current accounting principles and adopting new accounting principles, and other accounting requirements as stipulated in legislation, generally accepted accounting principles, applicable Stock Exchange rules, etc.

The company's auditor in charge and representatives of the accounting firm are co-opted for most of the meetings. Senior executives are also co-opted for meetings when appropriate. Since the 2014 AGM the Committee has comprised Board members Per Lundeen (through 6 November 2014), Roger Asserståhl, Per Skoglund and Board Chairman Rune Ingvarsson. Per Lundeen chaired the Committee through 6

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

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

Remuneration Committee

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

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

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

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

PRESIDENT/CEO

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

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

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

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

GROUP MANAGEMENT

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

Proposed guidelines for remuneration of senior executives

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

The remuneration paid to the CEO and other senior executives comprises fixed salary, possible variable component of pay, other benefits and pension. The total remuneration package must be in line with market rates and competitive in the market in which the executives work. Fixed salary and variable remuneration are related to the responsibilities and powers held by each executive. The variable component of remuneration, which is cash, is to be based on outcomes in relation to defined and measurable targets and is capped in relation to fixed salary. The variable component of pay for the CEO is capped at 50 per cent of fixed salary and the variable component of pay for other senior executives is capped at 30 per cent of fixed salary. The programme for the variable components of pay should be designed so that the Board can impose conditions, restrict or decline to make payments of variable component of pay in exceptional financial circumstances if such a measure is considered to be reasonable and compatible with the duties of the company in relation to shareholders, employees and other interested parties.

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

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

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

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

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

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

Variable remuneration

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

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

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

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

FURTHER INFORMATION IS AVAILABLE AT WWW.ROTTNEROS.COM

- Articles of Association
- Information from past AGMs (notices, minutes, resolutions, CEO statements)
- Information about the Nominating Committee
- Corporate governance reports from 2008 to 2014 (included in the Annual Report for the respective year)

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

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

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

Control environment

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

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

Information and communication

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

Risk assessment

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

Control activities

Monthly financial reports are prepared for all of the companies within the Group together with consolidated financial reports. These form the basis of the monthly meetings at each mill, where the President, CFO and Group Controller review the respective company's management group. Since the relocation of Group headquarters from Stockholm to Vallvik

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

The Board's Audit Committee meets regularly to deal with issues relating to risks that have been identified. The control environment has been created through shared values, corporate culture, rules and policies, communication and follow-up, as well as the way in which the business is organised. The main tasks of Group staff are to implement, further develop and maintain the Group's control procedures and also to introduce internal control routines aimed at business-critical issues.

Rottneros' auditors examine both the financial information for the half year and the annual accounts. Every year the auditors also examine a sample of controls and processes and report any areas for improvement to both Group management and also the management team for each subsidiary. The auditor in charge also attends most meetings of the Audit Committee.

The finance functions for Rottneros are found locally at each company and report via a Group-wide reporting system. The Group's Controller also works closely with Heads of Subsidiaries in matters concerning the annual accounts and reporting.

INTERNAL AUDIT FUNCTION

Rottneros has not had any reason to establish an internal audit function to date. The Board of Directors was of the opinion that the business did not need such a function and that it is not economically justifiable for a small organisation.

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

PROPOSED APPROPRIATION OF PROFITS

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

Consolidated accounts have been prepared in accordance with international financial reporting standards (IFRS) as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The Annual Report has been prepared in accordance with generally accepted accounting principles and gives a true and fair view of the parent company's financial position and results of operations.

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

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

A detailed account regarding the Board's proposed dividend is available on the Company's website, www.rottneros.com.

PROPOSED APPROPRIATION OF PROFITS:

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

THE BOARD OF DIRECTORS PROPOSES:

To be distributed to shareholders ^{1,2}	61,028,770
To be carried forward	261,828,219
Total	322,856,989

¹ After adjustment for repurchased shares in treasury.

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

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

Rune Ingvarsson
Chairman of the Board

Per Skoglund
Board Member

Roger Asserstål
Board Member

Per Lundeen
Board Member, President and
CEO

Mikael Lilja
Board Member,
employee representative

Bengt-Åke Andersson
Board Member,
employee representative

Our audit report was submitted on 19 March 2015

Ernst & Young AB

Erik Sandström
Authorised Public Accountant